



Broker-Dealer Firm Brochure

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Introduction

Ceros Financial Services, Inc. (Ceros) is a securities broker-dealer, registered with the Securities and Exchange Commission (SEC). We are a member of the Financial Industry Regulatory Authority (FINRA), the National Futures Association (NFA) and the Securities Investor Protection Corporation (SIPC).

The purpose of this brochure is to explain your relationship with us, and your Registered Representative, and provide you with information to help you evaluate our recommendations (if any) relating to the type(s) of account(s), securities or services you need to help you obtain your investment objectives. This brochure may not apply to investment decisions made independently by you, or your legal representative, that are not recommended by Ceros or our Registered Representatives.

Regulation Best Interest

Regulation Best Interest (Reg BI) is an SEC rule that requires Ceros and our Registered Representatives, if they make a recommendation, to act in our retail customer's best interest, and place customers' interests ahead of our own, including any recommendations relating to the type(s) of account(s), securities, strategies and services we offer. Reg BI also requires us to disclose the material facts relating to the scope and terms of our relationship with you, our retail customer and your Registered Representative .

If your Ceros Registered Representative makes a recommendation to you regarding any investment or service (including account recommendations and rollover/transfer of assets), he/she should have a sound basis for believing that the recommendation is in your best interest at that specific time, without placing his/her financial or other interest ahead of your interest.

Investment Approach

Ceros' approach to the investment process is to make available to our Ceros Registered Representatives a broad selection of investments and product offerings to support your needs. Ceros performs a due diligence review of product offerings and services prior to adding them to our approved products and services. This due diligence review includes, among other things, the financial strength of the company; management's disciplinary history, background and experience; investment methodology; risks, fees and expenses.

Ceros Registered Representatives wishing to add a product or service to the Ceros approved products and services present the product to our Product Due Diligence Committee for review. A new product or service is not added to our approved products and services until it has been reviewed and approved by the committee.

If your Ceros Registered Representative makes a recommendation, he/she will review our current investment and product selection and provide you with a recommendations based on

your investment objectives and goals, time horizon, risk tolerance, and financial situation, and other information.

This is a broad overview of the investment process [and your Ceros Registered Representative will provide you with more specific information regarding his/her own investment approach.]

Risks and Other Considerations

Your investments should be chosen based on your investment objectives, risk tolerance, time horizon, and needs. You may make investment decisions on your own. However, if your Ceros Registered Representative makes a recommendation he/she will help you navigate through these considerations, but it is important for you to know that investing involves risk.

When you invest in the securities markets, you risk losing the money you invest. A basic rule of investing is that the higher the expected return of an investment, product or strategy, the greater the risk that you could lose some, or even all of the money you invest.

The risks outlined below are some of the most common risks involved in investing. You should openly discuss your tolerance for risk with your Ceros Registered Representative so he/she can help you make informed decisions regarding your investments.

For additional information, we encourage you to go to the SEC's website at <https://www.investor.gov/CRS>).

Again, different investments and products involve varying degrees of risk and if your Ceros Registered Representative recommends a particular investment, product or strategy, he/she will go into detail with you on the risks specific to your portfolio.

Common Risks in Investing (Non-Exhaustive)

Business Risk

When you invest in corporate securities, whether equities (stocks) or debt (bonds), you are assuming that the company will remain in business. Depending on the type of investment, you may or may not receive any of the proceeds in the event of bankruptcy.

If you are purchasing a variable insurance product, you should be aware that the ability to pay claims, income payments and any guarantees attached to riders are subject to the financial strength and stability of the insurance company.

Volatility Risk

The stock market is volatile by nature and investments may go up or down, regardless of the financial stability of the issuer. Fluctuating values may be for reasons that do not specifically relate to the issuer, such as political unrest, economic conditions, publicity, etc.

Inflation Risk/Purchasing Power

When you invest in products with fixed interest rates, such as cash equivalents, you risk that inflation will reduce your purchasing power. Purchasing Power Risk means the value of the money you invested is worth less (due to inflation) than it was when you made your original investment.

Interest Rate Risk

Interest rate risk relates to investing in fixed income securities (bonds). For example, rising rates make newly issued bonds more attractive (because they pay higher interest payments) and make your older bond (paying lower interest) worth less.

Liquidity Risk

Liquidity risk relates to securities that you cannot easily buy or sell. Some products assess penalties for early withdrawals (such as CDs, variable annuities), while others are not tradeable in the markets (such as non-tradeable real estate investment trusts).

More Information about risks specific to different types of investments is provided in our Investments section.

Your Ceros Registered Representative will discuss these risks with you and answer any questions you have.

Capacity

When Ceros provides services to you, we are doing so in the capacity of a broker-dealer. Ceros is not a registered investment adviser and does not provide advisory services, financial planning or investment monitoring. Below is a chart that outlines the differences between brokerage services and advisory services.

Brokerage Services	Advisory Services
Affiliation: Broker-Dealer	Affiliation: Registered Investment Advisor
Role: "Broker"	Role: Investment Advisor Representative "Adviser"
Compensation: Commission	Compensation: Fee
Payment Timing: Pay when you transact	Payment Timing: Pay a monthly or quarterly fee based on a percentage of the value of your assets under management

Ceros' Customer Relationship Summary located at www.cerosfs.com/CRS contains several "Conversation Starters" that you can use to begin a dialogue with your Registered Representative about the services provided, fees charged and any potential conflicts of interest.

Services

Ceros retail brokerage services are offered through our Registered Representatives in Ceros registered branches across the United States.

Many of our Ceros Registered Representatives are also investment adviser representatives of independent registered investment advisers, unaffiliated with Ceros. These registered investment advisers are institutional clients of Ceros, for whom Ceros provides brokerage, trading and back office support.

We urge you to discuss with your Registered Representative the difference between his/her roles as a Ceros Registered Representative vs. Investment Adviser Representative so that you are certain what types of services are being provided to you and the fees you are being charged. It is important for you to know that neither Ceros nor your Ceros Registered Representative monitors your investments in retail brokerage and direct business accounts.

If you open an advisory account (fee based) with one of our Registered Representative's unaffiliated registered investment advisers, he/she is acting as an investment advisory representative with his/her independent registered investment adviser. Any advisory services provided, including investment monitoring (if applicable) is the responsibility of the Registered Representative's unaffiliated registered investment adviser, not Ceros. Ceros does not provide advisory services, recommendations or investment monitoring to these accounts.

Accounts

Your Registered Representative offers different types of accounts based on your needs. Accounts are generally characterized by the tax treatment of the investment earnings within the accounts. Your Registered Representative's recommendation of a qualified or non-qualified account is not intended to be tax or legal advice and we encourage you to contact your licensed tax professional for any specific tax questions relating to your specific needs.

Below are definitions of the various account types available to you:

Brokerage Business

When we open a brokerage account for you, our clearing firm, National Financial Services, LLC (NFS) acts as custodian for your account.

- *Non-Qualified Account* – This is an account that does not receive preferential tax treatment. These accounts are available for Individuals, custodians, guardians, conservators, trusts, estates and corporations/sole proprietorships.
- *Qualified Account* – This is an account that is most commonly known as a retirement account and it may receive certain tax advantages when the money is deposited into it. The types of qualified or “retirement” accounts are listed below.

Traditional IRAs, Roth IRAs, SEP IRAs, SIMPLE IRAs, 529 Plans, and 401(k)s are examples of the qualified accounts available.

- **Direct Business** - Direct Sponsor Business is where your financial account and the assets inside are held directly with a product sponsor, such as a mutual fund company or variable insurance carrier. The investments you make in these accounts are limited to the investments the specific sponsor offers. The specific sponsor dictates the types of accounts you can set up, the investments you can purchase, the fees associated, etc. These are not Brokerage Accounts.
 - Ceros, as a firm also has a conflict of interest when approving certain products when those products allow Ceros to participate in Revenue Sharing (discussed earlier in this document).
- **Rollovers/Transfers** –
 - You can rollover/transfer assets from another account into a Brokerage Account or Direct Sponsor Business account. While there is no initial cost to deposit the assets, there may be costs associated with the rollover/transfer of the assets from the firm you are leaving. You should review this at the time you and your Registered Representative are discussing your rollover/transfer options.

Investments

Below are descriptions of the different types of investments we offer and their potential risks.

- **Stock** – Owning shares of stock in a company, whether common stock or preferred stock, means you actually own a proportionate amount of the issuer. It entitles the stockholder (you) to that proportion of the company's assets and earnings.
 - Major risks: Business, Concentration, Currency, Financial, Foreign Investment, Governmental, Inflation, Market, and Political
- **Bonds, Notes** – This is a fixed income investment that represents a loan by you (the investor) to the issuer of the bond. Bonds can be corporate, municipal, or government.
 - Major risks: Business, Call, Credit, Default, Financial, Governmental, Inflation, Interest Rate, Liquidity, and Reinvestment
- **Exchange Traded Fund (ETF) and Exchange Traded Note (ETN)** – ETF is an investment company product consisting of a basket of securities that *trades* on an *exchange* seeks to track an underlying index. An ETN is a debt instrument that mimics the performance

of a basket of securities but does not actually hold them. An ETN is an obligation of the issuing company, often an investment bank.

- Major risks: Concentration, Currency, Foreign Investment, Inflation, Liquidity, Manager, Market, (for ETN: Credit risk)
- **Mutual Fund** – This is a type of investment vehicle consisting of a portfolio of stocks, bonds, or other securities.
 - Major risks: Concentration, Currency, Foreign Investment, Inflation, Manager, Market
- **Variable Annuity** – This is a tax-deferred retirement contract that allows you to choose from a selection of investments called subaccounts.
 - Major risks: Business, Credit, Liquidity

Annuities can provide clients with additional benefits above and beyond tax deferred growth in the form of living benefits or enhanced death benefits including but not limited to the following. The optional features discussed are provided at an additional cost. You should be aware of the additional cost you are paying when electing these optional riders.

- **Variable Life, Variable Universal Life** – An insurance product that is also a security. Variable life and variable universal life allow you to choose from a selection of investments called subaccounts.
 - Major risks: Business, Liquidity
- **529 Investment** - A 529 plan is a college savings plan that offers tax and financial aid benefits. Tax benefits vary by state.
 - Major risks: Concentration, Currency, Foreign Investment, Horizon, Market
- **Private Placements** – Private placements are investments in a company’s securities that are not sold through a public offering. Although requirements vary according to the type of filing exemption claimed by each offering, generally speaking, private placements are only appropriate for accredited and/or institutional investors.
 - Major risks: Business, liquidity, limited access to company financial information.

When you are deciding whether to invest in a specific investment recommended by your Registered Representative, make sure you obtain, review and discuss with your Registered Representative the documentation related to the investment which outlines the details of the investment (i.e., documents such as prospectuses, annual reports and offering memorandums that discuss the structure of the investment, fees/costs, management, portfolio, restrictions, contributions, distributions, risks.) The documentation should be provided by your Registered Representative or can be obtained directly from the investment sponsor. In the case of securities traded in the secondary market, these documents may be available from the issuer or from other sources, including the SEC.

Conflicts of Interest

Ceros makes our best effort to avoid conflicts of interest whenever possible; however, as a financial services company, we encounter certain conflicts that are unavoidable. We are providing information on our compensation, related conflicts of interest, as well as some of our other related conflicts of interest, to help you make informed decisions regarding your investments.

When you purchase an investment product, whether recommended or not, you will usually pay a sales commission, either “upfront” (at the time of purchase), “back end” (charged when you sell the investment) or built into the expense of the product. If we are paid an upfront commission, it means that the more you invest, the more we are paid.

When you purchase an investment product, Ceros is paid by the company offering the product. A portion of that payment goes to your Registered Representative. The portion paid to your Registered Representative is based upon an established compensation schedule. Sales charges, expenses and commissions paid to Ceros differ with the type of investment and may depend on the amount of money you invest.

Ceros may also receive ongoing or continuing compensation, sometimes referred to as a 12b-1 fees or trails. Although you may not notice a direct impact of these fees in your account, you should know that these reduce the investment returns of the investment product.

Other Compensation Conflicts of Interest

Revenue Sharing is the term used when the sponsor of your purchased investment product shares some of the revenue it earned from your purchase with Ceros. Payment is usually a fixed fee or annual percentage of assets held. (Fact Check)

Like 12b-1 fees and trails, Revenue Sharing does not directly affect your account balance; however, you should be aware of the practice as it could influence us to recommend/offer such products over similar products or services which do not provide revenue to us.

Ceros also earns money from ticket charges on trades that you place within your accounts. These charges are negotiated and agreed upon between Ceros and your financial professional's institution (registered investment adviser). Since these fees are negotiated, they vary between institutions and it is possible for you to pay higher or lower fees depending on which financial professional opens your account with Ceros.

Because you are charged ticket charges for each trade in your account, we have an incentive to encourage you to trade often.

In addition, Ceros makes money on some of the fees and costs on your account and investments such as custodian fees, account maintenance fees, and transactional and product-level fees.

Your Registered Representative may have several conflicts of interest associated with making recommendations to you. For example, recommending that you should rollover/transfer other assets that are not currently serviced by your Registered Representative, can present conflicts of interest since he/she may earn compensation as a result of the transfer.

Other Cash and Non-Cash Compensation

In addition to reimbursement of training and educational meeting costs, Ceros and our Ceros Registered Representatives may receive promotional items, meals or entertainment or other non-cash compensation from representatives of product sponsors (mutual funds, insurance companies, etc.,) as permitted by regulatory rules.

Ceros and its affiliated registered investment advisors hold occasional conferences and events in which our Ceros Registered Representatives may attend without cost.

Please note that not all the conflicts described in this brochure may apply your Ceros Registered Representative. You should ask your Ceros Registered Representative any questions you have about compensation or conflicts of interest.

Please also visit our website www.cerosfs.com/CRS for more information on this topic.

Registered Representative

Your Ceros Registered Representative is registered through the Financial Industry Regulatory Authority ("FINRA") to sell and service investment products.

Qualifications vary among Ceros Registered Representatives. Some Registered Representatives may be limited to the types of investments they can recommend to you; depending on the licenses or registrations the Registered Representative currently holds with Ceros. We recommend that you review your Registered Representative using the SEC's site <https://www.investor.gov/CRS> and ask the representative what products and services he is licensed to recommend and/or provide. Below are some descriptions of the two most common

types of securities licenses. Most Ceros Registered Representatives hold either a Series 6 or a Series 7. Descriptions of these licenses are below:

- The Series 6 is a securities license allowing a Registered Representative of a broker-dealer to sell investment company products only. Series 6 Registered Representatives are not permitted to sell stocks, bonds, exchange traded funds, options, limited partnerships, real estate investment trusts, commodities, futures, or other investment vehicles.
- The Series 7 is a securities license allowing a Registered Representative of a broker-dealer to sell all types of securities products and investments (i.e. stocks, exchange traded funds, options, bonds and other individual fixed income investments, variable insurance products, mutual funds, etc.). Series 7 Registered Representatives are not allowed to offer commodities or futures.

In his/her capacity as Registered Representative of Ceros, your Ceros Registered Representative will not monitor your portfolio or investments on an ongoing basis. However, your Ceros Registered Representative may voluntarily, and without any agreement with you, review the holdings in your account for the purposes of determining whether to provide you with a recommendation. This voluntary review is not considered to be “account or investment monitoring,” and does not create an implied agreement with you to monitor the account.

As discussed earlier, your Ceros Registered Representative may also be registered as an investment adviser representative with an unaffiliated registered investment adviser. If this is the case, the Registered Representative is also able to provide advisory services through their RIA. These services are provided solely through the registered investment adviser and not by Ceros. You should receive a copy of the registered investment adviser’s form ADV and Client Relationship Summary when the Ceros Registered Representative is acting in an advisory capacity.

Your Ceros Registered Representative also may be licensed as an insurance agent enabling him or her to sell insurance products as well as the products and services mentioned above. Your Ceros Registered Representative will explain what products he/she is able to sell. We encourage you to access brokercheck@finra.org, to review your Ceros Registered Representative’s licenses and financial industry background.

Please also refer to www.cerosfs.com/CRS to learn more about the Firm.

Conclusion

We hope this document, together with our Customer Relationship Summary, has provided you with a basis for understanding our relationship and the types of products and services we can offer you. If you have any questions relating to this document, we encourage you to speak with your Registered Representative or call us at 866-842-3356.