

April 2, 2024

## Commonwealth Financial Network®

### Form ADV—Part 2A

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**This Brochure provides information about the qualifications and business practices of Commonwealth Financial Network® (“Commonwealth”). If you have any questions about the contents of this Brochure, please call 800.237.0081 or email [FormADVPart2@commonwealth.com](mailto:FormADVPart2@commonwealth.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or any state securities authority.**

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

**Commonwealth is a Registered Investment Adviser. This registration does not imply any level of skill or training.**



## Item 2: Material Changes

The following is a summary of material changes made to this Brochure since the annual update on March 30, 2023:

- Commonwealth updated Item 4: Advisory Business and Item 5: Fees and Compensation to add a new advisory program called Third-Party Order Management System. This program allows an advisor to provide ongoing discretionary advisory services to participant 401(k) and 403(b) accounts held direct at the recordkeeper.
- Commonwealth updated Item 7: Types of Clients to provide more information about donor-advised funds and their features and conflicts.
- Commonwealth updated Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss to add two additional risks related to the use of leverage/inverse ETFs, ETNs, and mutual funds and value-based investing.
- Commonwealth updated Item 9: Disciplinary Information to add that, on April 7, 2023, in *Securities and Exchange Commission vs. Commonwealth Equity Securities, LLC*, Commonwealth was found by the U.S. District Court for the District of Massachusetts to have violated Section 206(2) of the Advisers Act because it was negligent in its failure to fully disclose conflicts of interest from revenue sharing it received with respect to certain mutual fund share classes during the time period 2014 to 2018. The court also found that Commonwealth violated Section 206(4) and Rule 206(4)-7 in failing to adopt and implement written policies and procedures to disclose the revenue sharing compensation. On March 29, 2024, the court ordered Commonwealth to pay \$65,588,906 in disgorgement, \$21,185,162 in interest, and a fine of \$6,500,000.
- As previously notified, Commonwealth updated Item 12 to reflect changes to the maximum fee for the Core Account Sweep Programs (CASPs) effective June 9, 2023, and related conflicts of interest with core account sweep investment vehicles.

You may request a copy of our current Brochure at any time, without charge, by contacting your advisor, emailing [FormADVPart2@commonwealth.com](mailto:FormADVPart2@commonwealth.com), visiting us at <https://www.commonwealth.com/for-clients>, or calling 800.251.0080 option 3.

Additional information about Commonwealth is available via the SEC's Investment Adviser Public Disclosure website at [adviserinfo.sec.gov](http://adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with Commonwealth who are registered, or required to be registered, as Investment Adviser Representatives of Commonwealth.



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## Item 4: Advisory Business

### About Us

Joseph S. Deitch founded Commonwealth Financial Network (“Commonwealth”) in 1979 under the original name of The Cambridge Group as an outgrowth of his retail financial planning practice. After the company began to prosper, Joe adopted the Commonwealth name in 1981 to reflect the firm’s desire to foster the common good for our employees and advisors. Commonwealth has approximately 2,900 advisors registered as Investment Adviser Representatives with its Registered Investment Adviser, and a large portion of those advisors are also registered representatives with its broker/dealer.

Most Commonwealth advisors operate under their own “doing business as” (“DBA”) trade name and logo, which they use for marketing purposes and which may appear on client statements. Clients should understand that even though Commonwealth’s advisors often operate under their own DBA and market through their own website, when those advisors offer or provide advisory services through Commonwealth, they do so under the name and supervision of Commonwealth.

Commonwealth is a wholly owned subsidiary of 1979 Holding Company, LLC, an indirect and wholly owned subsidiary of Gratitude Holdings, Inc.

When Joe founded Commonwealth, his desire was to create an open and supportive environment where professionals could be true to themselves and to their clients, follow their dreams, and grow to their hearts’ content. Joe structured Commonwealth as an independent contractor financial services firm with the goal of providing indispensable service to Commonwealth-affiliated advisors so that they, in turn, could provide the same level of indispensable service to their clients. To that end, Commonwealth acts as a “back office” to our advisors, providing support, guidance, and oversight over many functional areas, including operations, trading, technology, investment management, marketing, compliance, practice management, and more. Commonwealth does not manufacture or sell proprietary products. Rather, Commonwealth’s advisors have the freedom to evaluate their clients’ individual financial objectives, risk tolerance, and investment time horizons and recommend those products and services that they believe will help their clients meet their financial goals.

This Brochure is designed to provide detailed and clear information relating to each item noted in the table of contents. Certain disclosures are repeated in one or more items, and/or other items are referred to in an effort to be as comprehensive as possible on the broad subject matters discussed. Within this Brochure, certain terms in either uppercase or lowercase are used as follows:

- “We,” “us,” and “our” refer to Commonwealth.
- “Advisor” refers to persons who provide investment recommendations or advice to clients.
- “You,” “yours,” and “client” refer to clients of Commonwealth and its advisors.

### Description of Services Available

Commonwealth offers a suite of investment advisory services and programs to advisors for use with their clients. Commonwealth’s investment advisory services and programs are designed to accommodate a wide range of client investment philosophies, goals, needs, and investment objectives. Through Commonwealth’s various advisory programs and services, clients have access to a wide range of securities products, including, but not limited to, common and preferred stocks; municipal, corporate, and government fixed income securities; mutual funds; exchange-traded products (“ETPs”); options and derivatives; unit investment trusts (“UITs”); and variable and fixed-indexed insurance products, as well as other products and services, including a variety of asset allocation services, financial planning, and consulting services. Commonwealth advisors may also offer advice related to Commonwealth-approved direct participation programs, private placements, and other alternative investments, such as alternative energy programs, research and development programs, leasing programs, real estate programs, and pooled commodities futures programs.



Commonwealth's investment advisory services and programs consist of Commonwealth's suite of Preferred Portfolio Services® programs ("PPS Program"), wealth management and retirement consulting services, and advisory services programs available through unaffiliated third-party asset managers. Commonwealth is the sponsor of the following PPS programs:

- **PPS Custom:** The PPS Custom Program enables an advisor to assist the client in developing a personalized investment portfolio using one or more investment types, including, but not limited to, stocks, bonds, mutual funds, exchange-traded funds ("ETFs"), UITs, variable and fixed-indexed annuities, structured products, and alternative investments. The advisor typically acts as portfolio manager, with full investment discretion, though clients may elect to have the advisor manage the account on a nondiscretionary basis.
- **PPS Select:** The PPS Select Program offers a variety of model portfolios from which investors may choose. The PPS Select model portfolios are created and managed on a discretionary basis by Commonwealth's Investment Management and Research team. The advisor will help the client determine which PPS Select models are best suited for the client based on their risk profile, investment objectives, and preferences, leaving the actual trading decisions to the Investment Management and Research team. PPS Select offers a variety of model portfolios with varying investment product types, including mutual fund and ETF portfolios, equity portfolios, fixed income portfolios, and variable annuity subaccount portfolios.
- **PPS Direct:** The PPS Direct Program offers clients access to a variety of model portfolios involving a range of risk levels from which they may choose. Generally, apart from the PPS Direct Third-Party Fund Strategist Program and the PPS Direct Mutual Fund/ETF Program, the PPS Direct portfolios are not managed by Commonwealth or the advisor. Rather, PPS Direct model portfolios are managed by one or more third-party portfolio managers on a discretionary basis. PPS Direct portfolios may consist of mutual funds or ETFs, or they may be made up of individual equities, fixed income securities, or other types of investments. There are four types of PPS Direct Program accounts, which are broadly described as follows:
  - **PPS Direct Mutual Fund/ETF:** As the name suggests, these accounts will be allocated among mutual funds or ETFs.
  - **PPS Direct Separately Managed Account ("SMA"):** This separately managed account strategy invests in individual securities (e.g., stocks and bonds).
  - **PPS Direct Third-Party Fund Strategist ("Strategist"):** Third-party investment advisers provide asset allocation model strategies comprising mutual funds and ETFs.
  - **PPS Direct Unified Managed Account ("UMA"):** This is best described as multiple SMAs in a single account.

Available consulting services include:

- **Wealth Management Consulting:** Advisors provide advisory consulting services on a wide range of topics, including, but not limited to, comprehensive financial planning, budgeting and cash flow analysis, major purchases, education planning, retirement income/longevity planning, portfolio analysis, estate planning analysis, investment analysis, business succession planning, and fringe benefit analysis. Clients also elect to enter into consulting or financial planning engagements with advisors separately from, in addition to, or as part of their PPS managed account program, as may be agreed between the client and advisor.
- **Retirement Plan Consulting:** Advisors provide a fee-for-service consulting program whereby advisors offer onetime or ongoing advisory services to employer-sponsored retirement plans. Through the Retirement Plan Consulting Program, advisors may assist plan sponsors with their fiduciary duties and provide individualized advice and/or investment management, based on the needs of the plan and/or plan participants, regarding matters such as:
  - Investment policy statement support
  - Plan menu design and monitoring
  - Service provider support
  - Participant advice programs



- **Plan Participant Consulting:** Advisors provide a fee-for-service consulting program whereby advisors offer ongoing advisory services to an individual retirement account (“IRA”) formed under a SIMPLE IRA Plan. Through the Plan Participant Consulting Program, advisors may assist a client with a variety of advisory services such as:
  - Financial planning and portfolio analysis
  - Education on the options available through the SIMPLE IRA Plan
  - Recommended asset allocation
- **Health Savings Account (“HSA”) Consulting for Employers:** Advisors provide a fee-for-service consulting program whereby advisors offer onetime or ongoing investment consulting and related HSA consulting services to employers. Through the HSA Consulting for Employers Program, advisors may assist employers with matters such as:
  - Consultation with the employer on the selection and monitoring of the HSA program’s service provider
  - Collaboration with the company’s benefits consultant regarding the HSA program design
  - Development of an employee education strategy
  - Delivery of employee education

Other investment advisory-related services include:

### **Third-Party Order Management System**

Advisors provide ongoing discretionary advisory services to participant 401(k) and 403(b) accounts using an Order Management System (“OMS”) to implement asset allocation and rebalancing advice. Advisors regularly review and monitor the available investment options in participant’s 401(k) or 403(b) accounts and may rebalance the account(s) through the OMS. The investments in the account will be tailored to participant’s particular needs and will consist of a mix of asset classes with weightings based on participant’s risk profile, investment objective, and individual preferences. Commonwealth and advisors do not have direct access to participant’s retirement plan assets since Commonwealth and the advisor do not have access to participant’s login credentials. Commonwealth is not affiliated with the OMS provider and does not receive any compensation from the OMS provider.

### **Third-Party Asset Manager (“TPAM”) Programs**

TPAM programs offer clients access to a variety of portfolio managers who create and implement model portfolios with varying levels of risk from which investors may choose. TPAM Program accounts are not managed by Commonwealth. Rather, TPAM Program accounts are managed by one or more unaffiliated third-party portfolio managers on a discretionary basis, and they may consist of a variety of different securities types, including stocks, bonds, ETFs, mutual funds, and derivatives.

Commonwealth acts in either a “promoter” (formerly known as “solicitor”) or “subadviser” capacity when making TPAM programs available to clients, as described below:

- **Promoter:** When Commonwealth acts as a compensated promoter (“Promoter”) for the TPAM Program sponsor, neither Commonwealth nor the advisor is appointed by the client as an investment adviser in relation to the TPAM Program. Instead, the advisor will assist the client in selecting one or more TPAM programs believed to be suitable based on the client’s stated financial situation, investment objectives, and financial goals. Commonwealth and the advisor are compensated for referring the client to the ongoing advisory services provided within the TPAM Program. This compensation generally takes the form of the TPAM sharing with Commonwealth and the advisor a percentage of the advisory fee that the client pays to the TPAM Program sponsor. When Commonwealth and the advisor act as Promoter for a TPAM Program, the client will receive a Promoter disclosure statement (“Disclosure Statement”) describing the nature of the relationship with the TPAM Program, if any; and the terms of our compensation arrangement with the TPAM Program, including a description of the compensation that we receive for referring the client to the TPAM Program.



- **Adviser or Subadviser:** Under an adviser or subadviser relationship between Commonwealth and the sponsor of the TPAM Program, Commonwealth and the advisor will act as an investment adviser or subadviser to the client and will provide portfolio management supervisory services with respect to the adviser or subadviser TPAM programs the client selects. Commonwealth and the advisor will periodically monitor the TPAM Program's performance, investment selection, and continued appropriateness for the client's portfolio and will advise accordingly. The advisor will help the client determine the risk tolerance, investment goals, and other relevant guidelines to help choose a TPAM Program designed to help the client satisfy their investment needs.

### **Variable Contract Subaccount Allocation Program**

Under this program, clients grant an advisor discretionary authority to determine appropriate variable contract subaccount allocations within the client's Jackson National Life variable annuity and based on the client's financial circumstances, investment objectives, and risk tolerance, as well as prevailing market conditions and other factors the advisor deems appropriate.

### **Wrap Fee Programs**

Most TPAM programs, as well as Commonwealth's PPS Custom (Platform), PPS Custom (TIAA), PPS Custom (Fidelity), PPS Custom (529 Plans), PPS Custom (Variable Insurance), PPS Custom (Structured Variable Annuity), PPS Custom (Fixed-Indexed Annuity), PPS Direct, PPS Select, and SEI Asset Management programs, are considered "wrap fee" programs in which the client pays specified fees for portfolio management services and trade execution. Wrap fee programs differ from other programs in that the asset-based fee structure for wrap programs is intended to be largely all inclusive, whereas non-wrap fee programs typically assess trade-by-trade execution costs that are in addition to the asset-based fees. For example, Commonwealth does not consider the PPS Custom Program (Transactions) to be a wrap fee program because clients generally pay trade-by-trade transaction costs that are in addition to the asset-based fees they pay when they participate in the program. Commonwealth's PPS Custom Program (Platform) is, however, considered a wrap fee program because clients pay an annual asset management fee as well as an asset-based platform fee that generally covers transaction costs and annual maintenance fees.

The PPS Direct, SEI Asset Management, and other TPAM model portfolio wrap fee programs or model strategies available through Commonwealth are managed in accordance with the investment methodology and philosophy used by the respective third-party portfolio manager, investment adviser, or strategist. The PPS Select Program is managed in accordance with the investment methodology and philosophy of Commonwealth's Investment Management and Research team. The PPS Custom (Platform), PPS Custom (TIAA), PPS Custom (Fidelity), and PPS Custom (529 Plans) programs are managed by your advisor in accordance with their investment methodology and philosophy.

For the investment advisory services provided to you by Commonwealth and your advisor, Commonwealth and your advisor receive a portion of the wrap fees you pay when you participate in any wrap fee program through Commonwealth. Commonwealth receives a higher portion of the wrap fees you pay when you participate in Commonwealth's PPS Select programs to compensate for investment management and research services provided by the Commonwealth Investment Management and Research team.

For more information relating to Commonwealth's wrap fee programs, please refer to Appendix 1 of this document, titled "The Wrap Fee Program Brochure."

### **Individualized Services and Client-Imposed Restrictions**

The investment advisory services provided by advisors depend largely on the personal information the client provides to the advisor. In order for advisors to provide appropriate investment advice to, or, in the case of discretionary accounts, make tailored investment decisions for, the client, it is very important that clients provide accurate and complete responses to their advisor's questions about their financial condition, needs, goals, and objectives and notify the advisor of any reasonable restrictions they wish to





apply to the securities or types of securities to be bought, sold, or held in their managed account. It is also important that clients promptly inform their advisor of any changes in their financial condition, investment objectives, goals, needs, personal circumstances, or reasonable investment restrictions pertaining to the management of their account, if any, that may affect their overall investment goals and strategies or the investment advice provided or investment decisions made by their advisor. Failure to notify the advisor of any material changes could result in investment advice not meeting the changing needs of the client.

In general, the advisor is responsible for delivering investment advisory services to clients, and clients generally deal with matters relating to their accounts by contacting their advisor directly. Of course, clients may contact Commonwealth directly for administrative and operational questions about the advisory services offered through Commonwealth. The investment recommendations and advice Commonwealth and its advisors offer do not constitute legal, tax, or accounting advice. Clients are encouraged to coordinate and discuss the impact of the financial advice they receive from the advisor with their attorney and accountant.

#### **Note About Programs Offered by Separately Registered Investment Advisers**

Commonwealth makes available PPS and consulting services programs to separately registered investment advisers ("RIAs") who contract with Commonwealth for platform services. In such cases where the RIAs offer Commonwealth advisory programs and services to you, the RIA remains responsible for the suitability and appropriateness of the investment advisory services provided. This arrangement does not create an advisory relationship between Commonwealth and the RIA or Commonwealth and you. It is the RIA's responsibility to comply with all laws, rules, and regulations governing the provision of investment advice to you, including, but not limited to, the Investment Advisers Act of 1940 ("Advisers Act"), as amended, and the rules promulgated thereunder, as well as all applicable state statutes, rules, and regulations that apply to the RIA's business. The RIA is responsible for the accuracy of all records that reflect your financial condition, risk tolerance, and investment objectives of your account(s); that the orders the RIA places with or through Commonwealth on your behalf are suitable for you and consistent with the RIA's fiduciary duty to you; and that the investment advice and advisory services provided to you in general are and remain appropriate for you. Commonwealth will provide, or cause to be provided, to clients trade confirmations and custodial account statements. Commonwealth will provide, or will otherwise make available to the advisor duplicate trade confirmations and Client custodial account statements.

#### **Assets Under Management**

As of December 31, 2023, Commonwealth had \$177,031,841,416 in assets under management ("AUM"), of which \$171,297,941,912 was managed on a discretionary basis and \$5,733,899,504 was managed on a nondiscretionary basis.





### **Program Choice Conflicts of Interest**

Clients should be aware that the compensation to Commonwealth and your advisor will differ according to the specific advisory programs or services provided. This compensation to Commonwealth and your advisor may be more than the amounts we would otherwise receive if you participated in another program or paid for investment advice, brokerage, or other relevant services separately. Commonwealth and your advisor have a financial incentive to recommend advisory programs or services that provide us higher compensation over other comparable programs or services available through Commonwealth or elsewhere that may cost you less. For example, Commonwealth is registered both as a broker/dealer and an investment adviser, and a majority of Commonwealth's advisors offer both commission-based brokerage services and fee-based advisory services to their clients. It's important to understand all the associated costs and benefits of each option so you can decide which types of accounts and services may be best suited for your unique financial goals, investment objective, and time horizon.

Commonwealth encourages you to review its Form CRS, as well as the "For Clients" page, available on the firm's website at [www.commonwealth.com/for-clients](http://www.commonwealth.com/for-clients), and to discuss your options and the many differences between brokerage and advisory relationships with your advisor.

Factors that bear on the cost of a particular advisory program in relation to the cost of the same services purchased separately include, but may not be limited to, the type and size of the account; the historical or expected size or number of trades for the account; the types of securities and strategies involved; the amount of fees, commissions, and other charges that apply at the account or transaction level, the number and range of supplementary advisory and client-related services provided to the account; and any Commonwealth provided outsourced services utilized by your advisor. Lower fees for comparable services may be available from other sources.

In addition, Commonwealth offers advisors one or more forms of financial benefits based on your advisor's total assets under advisement held at Commonwealth or in PPS program accounts and/or for transitioning from another firm to Commonwealth, as described in Item 9 and Item 14 under "Other Payments to Commonwealth Advisors."

Commonwealth charges advisors a PPS administrative fee at the same time clients are charged PPS Program asset-based fees. The PPS administrative fee is charged to and paid by the advisor rather than the advisor's clients and is calculated as a percentage of the total PPS account assets, including cash and money market positions, held by the advisor's clients. The PPS administrative fee is used to offset Commonwealth's maintenance costs associated with PPS account reporting and reconciliation and generates additional revenue for Commonwealth.

In the same manner as many advisors offer asset management fee discounts to their larger clients, Commonwealth offers those advisors to whom it charges administrative fees discounts based on their total PPS Program AUM and/or other relevant factors deemed appropriate by Commonwealth. As these advisors grow their fee-based business within Commonwealth's suite of PPS programs, Commonwealth's economies of scale are shared with those advisors by reducing the percentage amount of PPS administrative fees that would otherwise be charged to them. The advisors receive discounts on the PPS administrative fee when they reach specified asset levels, starting at \$10 million. As the amount of the client assets in the PPS programs grows above certain levels, the advisors receive larger percentage discounts to the administrative fees than they would otherwise receive with fewer assets in PPS programs. Some advisors have negotiated a flat administrative fee with Commonwealth. Others may have negotiated a specific payout for a period of time as part of their agreement to join the firm.

In addition, advisors with PPS AUM of at least \$25 million qualify for an increased payout percentage on their clients' PPS management fees, starting at 90 percent and rising to a maximum of 99 percent as their PPS AUM grows.

These discounts in PPS administrative fees and higher payouts for reaching various PPS AUM levels present a conflict of interest because they provide a financial incentive for advisors who receive the discounts to recommend PPS programs over other available managed or wrap account programs outside of PPS that do not offer such discounts or higher payouts to advisors. On the other hand,



because Commonwealth does not assess administrative fees to advisors when they use advisory programs outside of PPS, depending upon the costs and fees of a particular outside program, advisors may have a financial incentive to use one or more outside programs rather than PPS programs, which also creates a conflict of interest.

Commonwealth offers transaction-fee (“TF”) mutual funds, as well as no-transaction-fee (“NTF”) and institutional NTF (“iNTF”) mutual funds, within the PPS Custom programs. Hereinafter, unless otherwise noted, NTF and iNTF mutual funds shall be referred to as NTF, NTF funds, or the NTF program. As discussed elsewhere in this Brochure, including in items 5. Fees and Compensation, 12. Brokerage Practices, and 14. Client Referrals and Other Compensation, Commonwealth receives substantial economic benefits and monthly revenue-sharing payments from NFS based on client assets held by Commonwealth with NFS in non-Fidelity NTF and iNTF funds that participate in Fidelity’s NTF and iNTF programs and non-Fidelity TF funds that participate in Fidelity’s TF program.

As also discussed in Item 14. Client Referrals and Other Compensation, some mutual fund families offer share classes of funds that do not make payments to NFS. As a result, Commonwealth does not receive revenue-sharing payments derived from investments or holdings in these non-supporting fund families. Because non-supporting funds do not make payments to NFS for NFS to share with Commonwealth in the form of revenue sharing, non-supporting funds have lower fund expenses and will cost clients less money over longer holding periods than supporting fund families with share classes that make these payments.

In addition to complying with applicable SEC rules, Commonwealth is subject to certain regulations adopted by the U.S. Department of Labor (“DOL”) when we provide nondiscretionary investment advice to retirement plan sponsors, plan participants, and IRA owners. When these DOL rules apply, our advisors and Commonwealth, through our relationship with our advisors, are “fiduciaries,” for purposes of the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended, and the Internal Revenue Code of 1986 (“the Code”), as amended. Therefore, Commonwealth and our advisors may not receive payments that create conflicts of interest when providing fiduciary investment advice to plan sponsors, plan participants, and IRA owners, unless we comply with a prohibited transaction exemption (“PTE”). Commonwealth and its advisors will comply with ERISA and the Code by utilizing PTE 2020-02. As fiduciaries under ERISA and the Code, we render advice that is in plan participants’ and IRA customers’ best interest. Commonwealth’s and its advisors’ status as an ERISA/Code fiduciary is limited to ERISA/Code covered nondiscretionary advice and recommendations regarding rolling over a retirement account and does not extend to all situations.

Commonwealth offers two versions of the PPS Custom Program to clients, which Commonwealth refers to as PPS Custom Program (Transactions) and PPS Custom Program (Platform). Commonwealth limits advisors to offering *only one* of the two versions of PPS Custom Program to *all* of the advisor’s clients who want to participate in the PPS Custom Program. This means that while Commonwealth offers two versions of the PPS Custom Program to clients generally (i.e., Transactions and Platform), each client’s advisor is restricted to offering *only one* of those two versions to *all* of that advisor’s clients. Therefore, other advisors will have access to and will offer their clients a version of the PPS Custom Program that the clients’ own advisor cannot offer them. Depending on the specific type of PPS Custom Program that is available to clients through the client’s chosen advisor, the fees and charges clients will pay when participating in the PPS Custom Program will vary, as described more fully below. Clients should discuss with their advisor the specific version of the PPS Custom Program their advisor may offer them, and clients should consider the specific version of the PPS Custom Program that is available to them through their advisor versus other versions of the PPS Custom Program that would be available to the client were they to choose to work with a different advisor when making a decision to participate in the PPS Custom Program.

**The PPS Custom Program (Transactions)** assesses transaction charges for the purchase and sale of certain securities in the account. The advisor may elect to pay the transaction charges on a client’s behalf. PPS Custom Program (Transactions) clients should understand that their advisor may elect to pay transaction charges for the accounts of other clients, but not for them, and vice versa. If the advisor elects to pay transaction charges, clients should understand that the annual management fee they pay may be



higher than what they would otherwise pay if their advisor did not elect to pay transaction charges for their account. Depending on the frequency of trading activity, the types of securities products bought and sold, and whether the advisor uses NTF funds that do not assess transaction charges, the advisor's election to pay transaction charges may cost a client more or cost the advisor less, which is a conflict of interest. Further, the advisor's ability to choose whether to pay the transaction charges for one client but not another presents a conflict of interest because the advisor has a financial incentive to trade less for the accounts of clients for whom the advisor pays transaction charges than for those clients who are responsible for paying their own transaction charges. Regardless of whether the advisor or client pays the transaction charges, clients should understand that the mere existence of transaction charges could cause an advisor to reduce, delay, or avoid executing certain transactions in an effort to reduce, delay, or avoid trading costs.

Clients who choose to open a PPS Custom Program (Transactions) account should carefully consider these factors and discuss the costs and benefits of whether they or their advisor should pay transaction charges, as well as the extent to which the existence of transaction charges (regardless of who pays) impacts their advisor's investment decisions. PPS Custom Program (Transactions) clients should consider the annual fees, administrative and other charges, revenue-sharing arrangements, and other compensation that Commonwealth and the advisor receive in making a fair and reasonable assessment of the total costs associated with their decision to open and maintain a PPS Custom Program (Transactions) account.

**The PPS Custom Program (Platform)** assesses a quarterly platform fee that is asset-based rather than dependent on the volume of transactions to cover purchase and sale transactions and annual maintenance fee costs. The advisor may elect to pay the platform fee on a client's behalf. PPS Custom Program (Platform) clients should understand that their advisor may elect to pay the platform fee for the accounts of other clients, but not for them, and vice versa. If the advisor elects to pay the platform fee, clients should understand that the annual management fee clients pay may be higher than what they would otherwise pay if their advisor did not elect to pay the platform fee for their account. Further, the advisor's ability to choose whether to pay the platform fee for one client but not another presents a conflict of interest because the advisor has a financial incentive to be selective in determining for which client accounts the advisor will pay the platform fee and for which accounts the advisor will not. In addition, since the platform fee is household based and the advisor creates each client's household, advisors who choose to pay the platform fee for their clients have a greater incentive to household a broader aggregation of that client's accounts as a means to reduce the total platform fee that is paid by the advisor for those client accounts over other clients for whom the advisor has chosen not to pay the platform fee, which is a conflict of interest. Regardless of who pays the platform fee, clients should discuss which accounts will be included within the client's household by the advisor for purposes of calculation of the platform fee.

Clients who choose to open a PPS Custom Program (Platform) account should carefully consider the costs and benefits of whether they or their advisor should pay the platform fee. PPS Custom Program (Platform) clients should consider the annual fees, administrative and other charges, revenue-sharing arrangements, and other compensation that Commonwealth and the advisor receive in making a fair and reasonable assessment of the total costs associated with their decision to open and maintain a PPS Custom Program (Platform) account.

## Item 5: Fees and Compensation

### How You're Charged and How We're Compensated

Clients who elect to receive asset management services through one or more of PPS programs or TPAM programs will generally pay Commonwealth and their advisor percentage-based fees calculated as a percentage of account AUM, including cash and money market positions. The maximum allowable fee schedules for Commonwealth's various PPS programs are provided below. The fee schedules for TPAM programs are provided in the respective TPAM sponsor's Form ADV Part 2A and advisory client agreements. Certain managed account programs have lower maximum annual fee amounts, and fee schedules will vary among programs. Clients are urged to carefully review and discuss the contents of



this Brochure with their advisor, including descriptions of the various programs and services offered, the fees and charges clients will pay, the means by which Commonwealth and your advisor are compensated, and the conflicts of interest that exist between the client and Commonwealth and their advisor with respect to each program or service offered, to determine the most appropriate programs or services for their specific needs.

In most cases, the annual account management fees are payable quarterly in advance and are computed as one-quarter of the annual fee based on the account's AUM on the last business day of the previous calendar quarter. In some cases, the annual account management fee will be payable monthly in advance, computed as one-twelfth of the annual fee based on the AUM on the last business day of the previous month-end, and in other cases, clients will pay an annual flat dollar fee, payable quarterly in advance.

Commonwealth receives quarter-end values, which are used when calculating billable AUM, from alternative investment issuers or other service providers. Commonwealth does not engage in an independent valuation of your account assets and relies on valuations provided by the investment issuers or other service providers. Commonwealth will provide (through NFS) periodic account statements which include the market value of the alternative investment based on information received from the investment issuer or other service provider. In providing these account statements, or any other valuation information to you, (i) Commonwealth relies on the valuation information provided by the manager of the alternative investment or other service provider, (ii) the valuation information used to determine the management fee is based on estimates that may be outdated as of the dates of the account statements, (iii) the product's final valuations may be higher or lower than the values reflected in the periodic account statements and (iv) while Commonwealth will adjust material estimated fee billings on a best-efforts basis, Commonwealth is under no obligation to provide notice or compensation to you for differences in estimated alternative investment valuations.

Certain managed account programs charge fees in arrears and will have differing methods of computation. Please refer to the respective program description in this Brochure, the respective client agreement, and the respective TPAM Program Brochure (if applicable) for specific information about the fees that will be paid, the varying fee schedules of each program, and the methods of fee billing for the program(s) you select.

Clients who elect to open a margin account acknowledge and agree that margin may be exercised against their account for purposes including, but not limited to, covering debits, management fees, and/or other billing and administrative costs. Management fees on margin accounts will be assessed on the equity (e.g., ownership) portion of the account and not on the account's total market value. NFS will credit to Commonwealth a substantial portion of the margin interest income NFS receives from client margin debits. Commonwealth's receipt of a substantial portion of the margin interest creates a conflict of interest because Commonwealth has a greater incentive to make margin available in your account because it provides additional compensation to Commonwealth. Commonwealth does not share any portion of the margin interest it receives with your advisor.

All Commonwealth advisory program management fees are negotiable between the advisor and client. Platform fees, transaction charges, and other account-related fees assessed by NFS or Commonwealth are not negotiable, however. In the event a client terminates an advisory agreement with Commonwealth and the advisor, any unearned fees resulting from payments made by clients in advance will be refunded to the client. Likewise, in the event Commonwealth bills clients in arrears for services that have already been rendered, Commonwealth will prorate such fees up to the termination date of the advisory agreement.

Commonwealth generally offers two types of fee schedules for use in Commonwealth PPS Program accounts, which are generally referred to as "blended" schedules and "breakpoint" schedules.



### Blended Schedule

A blended schedule looks at the account value and compares it to a set fee schedule. Based upon the value of the account at the end of the billing period, the fee schedule identifies specific portions of the account value to be charged at different fee rates. The total value of the account is compared against this schedule and, based on the account size, the different fee rates are blended to determine the total account fee for that period.

For example, assume the advisor and client negotiate the following blended fee schedule:

Account Value		Fee
Greater than or equal to	Less than	
\$0	\$50,000	2.25%
Next \$50,000	\$100,000	2.00%
Next \$100,000	\$250,000	1.75%
Next \$250,000	—	1.50%

Also, assume that the account value at the end of the billing period is \$200,000. In this hypothetical example, and assuming an advanced quarterly billing cycle is applied, the account fee for the upcoming quarter would be assessed as follows: First \$49,999 of the account value would be billed at a rate of 2.25% ( $\$49,999 \times 2.25\% = \$1,125$ ;  $\$1,125 \div 4 = \$281.25$ ); the next \$50,000 would be billed at a rate of 2.00% ( $\$50,000 \times 2.00\% = \$1,000$ ;  $\$1,000 \div 4 = \$250$ ); the next \$100,000 would be billed at a rate of 1.75% ( $\$100,000 \times 1.75\% = \$1,750$ ;  $\$1,750 \div 4 = \$437.50$ ).

Each of the different fee rate amounts is added together to determine the total quarterly account fee for that period, as follows:

$\$281.25 + \$250 + \$437.50 = \$968.75$  advance quarterly account fee

### Breakpoint Schedule

A breakpoint schedule looks at the account value and compares it to a set fee schedule. Based upon the value of the account at the end of the billing period, the billable fee rate will decline as the value of the account reaches the next fee rate, or “breakpoint.” The total value of the account is compared against the fee rate for the respective value range that corresponds with the account value to determine the total account fee for that period.

For example, assume the advisor and client negotiate the following breakpoint fee schedule:

Account Value		Fee
Greater than or equal to	Less than	
\$0	\$50,000	2.25%
\$50,000	\$100,000	2.00%
\$100,000	\$250,000	1.75%
\$250,000	—	1.50%

Also, assume the account value at the end of the billing period is \$200,000. In this hypothetical example, and assuming an advanced quarterly billing cycle is applied, the account fee for the upcoming quarter would be assessed as follows: The \$200,000 account value falls within the fee schedule value range of \$100,000 to less than \$250,000, which corresponds with a fee rate of 1.75%. Therefore,  $\$200,000 \times 1.75\% = \$3,500$ ;  $\$3,500 \div 4 =$  an \$875 advance quarterly account fee.



## Commonwealth PPS Program Fee Schedules

Following are the maximum allowable fee schedules for Commonwealth's various PPS programs.

### *PPS Custom Program (Transactions)*

The maximum allowable annual management fee schedule for a new PPS Custom Program (Transactions) account is:

Account Value		Maximum Annual Management Fee
Greater than or equal to	Less than	
\$0	\$750,000	2.25%
\$750,000	\$1,000,000	2.00%
\$1,000,000	\$2,000,000	1.75%
\$2,000,000	—	1.50%

In addition to the annual management fee, and unless otherwise agreed between the client and the advisor, clients participating in the PPS Custom Program (Transactions) will pay transaction charges as described in the "Other Fees and/or Costs" section below.

Clients participating in the PPS Custom Program (Transactions) may pay more or less than clients might otherwise pay if purchasing the services separately or participating in a different version of the PPS Custom Program. There are several factors that determine whether such costs would be more or less, including, but not limited to, the following:

- Size of the account
- Types of securities and strategies involved
- Amount of trading effected by the advisor
- Actual costs of such services if purchased separately

The advisory fees charged for the services provided by Commonwealth and the advisor, including research, supplemental advisory, and client-related services offered through the PPS Custom Program (Transactions), may exceed those of other similar programs.

### *PPS Custom Program (Platform)*

Unless otherwise agreed between the client and the advisor, clients participating in the PPS Custom Program (Platform) will pay a total account fee that consists of a combination of a management fee, which is negotiable, and a platform fee. Depending upon the mutual fund families selected, transaction charges will also apply as described below.

The maximum allowable management fee schedule for a new PPS Custom Program (Platform) account is:

Account Value		Maximum Annual Management Fee
Greater than or equal to	Less than	
\$0	\$750,000	2.25%
\$750,000	\$1,000,000	2.00%
\$1,000,000	\$2,000,000	1.75%
\$2,000,000	—	1.50%





The maximum platform fee schedule for a new PPS Custom Program (Platform) account is:

Account Value	Maximum Platform Fee <sup>1</sup>
First \$250,000	0.05%
Next \$250,000	0.04%
Next \$500,000	0.03%
Next \$1,500,000	0.02%
Above \$2,500,000	0.01%

<sup>1</sup> The platform fee is household based and calculated on a blended basis, with a minimum annual account fee of \$100 (minimum quarterly fee of \$25), which may exceed the maximum annual platform fee percentage based on account size. Households are maintained by the advisor.

**Transaction and other charges.** In addition to the platform fee, transaction charges of \$15 for buys and sells and a maximum of \$3 for periodic investment plans and systematic withdrawal plans will apply in the following mutual fund families: Dodge & Cox, Vanguard, and Dimensional Fund Advisors (DFA), except that DFA sells are \$0. For trader-assisted transactions, an additional \$5 fee is charged to the advisor. A transaction charge of \$1 per contract for purchases and sales of options will apply. A \$5 quarterly paper document fee will apply account by account to all accounts not enrolled in electronic delivery of statements and confirmations.

#### *PPS Select Program*

Clients participating in the PPS Select Program will pay a total account fee that consists of a combination of an advisor fee and a program fee.

The maximum allowable advisor fee in the PPS Select Program is as follows:

Account Value	Maximum Advisor Fee <sup>1</sup>
Up to \$499,999	2.00%
\$500,000–\$999,999	1.75%
\$1,000,000–\$4,999,999	1.50%
Next \$5,000,000 or more	1.25%

In addition to the annual advisor fee, clients participating in PPS Select will pay an annual program fee. There are several different PPS Select model portfolios with program fees that vary; however, the maximum fee within the PPS Select program is as follows:

Account Value	Maximum Program Fee <sup>2</sup>
First \$250,000	0.60%
Next \$250,000	0.50%
Next \$500,000	0.45%
Next \$1,000,000	0.40%
Next \$3,000,000	0.35%
Next \$5,000,000 or more	0.30%

<sup>1</sup> The maximum annual advisor fee for certain account sizes and types may be negotiated.

<sup>2</sup> Commonwealth will charge a minimum annual program fee of \$600 (\$150 quarterly) for certain accounts, which may exceed the maximum annual program fee percentage based on account size.





### *PPS Direct Program*

Clients participating in the PPS Direct Program will pay an annual fee that consists of a combination of an advisor fee and a program fee not to exceed 3 percent. In the event the combination of the advisor fee and the program fee for a particular money manager and investment strategy exceeds 3 percent, the advisor fee will be reduced such that the annual fee will not exceed 3 percent.

The maximum allowable advisor fee in the PPS Direct Program is as follows:

Account Value	Maximum Advisor Fee
Up to \$250,000	2.21%
Next \$250,000–\$499,999	2.25%
Next \$500,000–\$999,999	2.27%
Next \$1,000,000–\$1,999,999	2.29%
Next \$2,000,000–\$4,999,999	2.31%
Next \$5,000,000 or more	2.33%

The maximum program fee in the PPS Direct Program is as follows:

Account Value	Maximum Program Fee
Up to \$250,000	1.14%
Next \$250,000–\$499,999	1.04%
Next \$500,000–\$999,999	1.00%
Next \$1,000,000–\$1,999,999	0.99%
Next \$2,000,000–\$4,999,999	0.96%
Next \$5,000,000–\$9,999,999	0.92%
Next \$10,000,000–\$19,999,999	0.865%
Next \$20,000,000 or more	0.835%

For all PPS programs, the initial quarterly fee will be prorated based on the number of billing days in the initial quarter. Fees are based on account value and account type and are negotiable. Other methods of fee calculation are possible, depending on the specific program, the services provided, client circumstances, and the account size. These methods include, but are not limited to, hourly, flat, breakpoint, and blended fee billing. Additional deposits of funds or securities during a particular calendar quarter are subject to billing on a pro-rata basis. Clients who withdraw funds from a managed account during a billing period aren't generally entitled to a pro-rata refund unless they are terminating their managed account program client agreement.

Commonwealth may waive a particular fee, whether on an ongoing or a onetime basis, at its sole discretion. Commonwealth may also allow for the aggregation of assets among a client's "related" managed accounts for purposes of determining the value of AUM and the applicable advisory fee to be paid by a client. Commonwealth reserves the right to determine whether client accounts are "related" for purposes of aggregating a client's accounts together for a reduction in the percentage fee amount.

Clients participating in the PPS Direct, PPS Select, or PPS Custom (Platform) wrap fee programs will pay Commonwealth an annual asset-based platform or program fee that is in addition to the asset management fee. With respect to the PPS Custom Program (Platform), the advisor may elect to pay the platform fee on behalf of the client. In most cases, the annual platform or program fee is payable quarterly in advance and is computed as one-quarter of the annual fee based on the total value of your account on the last business day of the previous quarter. Other methods of fee calculation exist or are possible, depending on the specific program, services provided, client circumstances, and account size.

Commonwealth's Wealth Management Consulting, Retirement Plan Consulting, HSA Consulting for Employers, and Plan Participant Consulting programs provide the following fee payment options:

- **Wealth Management Consulting:** The Wealth Management Consulting Program provides clients with the option of paying an annual fee for ongoing services, a flat or fixed fee, or an hourly rate not



to exceed \$500. The fee amount a client will pay is negotiable between the client and their advisor and may be paid at the time of service, in advance of service, or after services have been rendered ("in arrears"). Annual fees may be paid in monthly, quarterly, semiannual, or annual installments as agreed between the client and the advisor.

- **Retirement Plan Consulting:** The Retirement Plan Consulting Program provides clients with the option of paying an annual fee for ongoing services based on a percentage of assets under advisement, a flat fee, or an hourly rate not to exceed \$500. The fee amount a client will pay is negotiable between the client and the advisor and will be associated with all services provided by the advisor under the Retirement Plan Consulting Agreement. It is the responsibility of the plan sponsor to ensure that these fees are reasonable. Fees may be paid directly from qualified plan assets or may be direct billed, as agreed between the client and the advisor. Where discretionary investment management services are selected to be provided by the Commonwealth home office, clients will pay an additional annual flat percentage fee according to the following fee schedule:

Total Plan Assets	Fee
Less than \$250,000	\$300
\$250,000–\$2,999,999	0.12%
\$3,000,000–\$9,999,999	0.09%
\$10,000,000–\$49,999,999	0.05%
\$50,000,000–\$99,999,999	0.03%
\$100,000,000 or more	0.02%

- **HSA Consulting for Employers:** The HSA Consulting for Employers Program provides clients with the option of paying an annual fee for ongoing services, a flat fee, fixed fee or an hourly rate not to exceed \$500. The fee amount a client will pay is negotiable between the client and the advisor and may be paid at the time of service, in advance of service, or after services have been rendered ("in arrears"). Annual fees may be direct billed, as agreed between the client and the advisor. It is the responsibility of the employer to ensure that these fees are reasonable.
- **Plan Participant Consulting:** The Plan Participant Consulting Program calls for clients to pay an annual flat percentage fee according to the following fee schedule:

Total SIMPLE IRA Assets	Advisory Fee
\$0–\$500,000	1.00%
\$500,001–\$1,000,000	0.75%
More than \$1,000,000	0.50%

Retirement Plan Consulting, Plan Participant Consulting, HSA Consulting for Employers, and Wealth Management Consulting may be paid at the time of service, in advance of service, or after services are rendered. Clients should make checks payable only to Commonwealth in relation to Retirement Plan Consulting, Plan Participant Consulting, and HSA Consulting for Employers, Wealth Management Consulting, and direct-billed PPS Program services. This is the only instance in which the client should make a check payable to Commonwealth. Checks should never be made payable to the advisor, the advisor's business name, or any other entity under the control of the advisor in relation to any programs or services offered through Commonwealth. Clients who are asked or instructed by their advisor to make checks payable to the advisor, the advisor's business name, or any entity under control of the advisor should contact Commonwealth directly for verification.

#### **Third-Party Order Management System:**

The maximum allowable annual management fee for the program is 1.50%.

Management fees are debited from a linked participant non-retirement NFS account. Unless otherwise agreed, payment of the management fee will be made quarterly, in arrears, and calculated as one-quarter of the management fee based on the participant account's balance on the last day of the previous calendar quarter. Clients participating in the program will pay management fees that are not imposed if the participant trades directly in their 401(k) or 403(b) account(s).



**Variable Contract Subaccount Allocation Program:** Under this program, Commonwealth and the advisor will receive distribution and service (12b-1 fees) pursuant to the client's variable annuity contract and applicable prospectus for the discretionary subaccount allocation services. Clients participating in this program do not pay a separate asset management fee to Commonwealth or the advisor.

### Managed Account Fee Collection Process

Managed account fees are typically automatically charged to the client's account pursuant to instructions provided to the account custodian by Commonwealth or a TPAM. Rather than automatic fee debiting from an account, clients may also have the ability to be direct billed by writing a check to Commonwealth for the fee amount or instructing Commonwealth to charge the fee to one of the client's other Commonwealth accounts.

Managed account clients generally pay fees quarterly, in advance or in arrears, based on the specific program selected. In some cases, the annual account management fee may be payable monthly in advance based on the AUM on the last business day of the previous month-end. Consulting clients pay fees at time of service, in advance of service, or in arrears, as well as in monthly, quarterly, semiannual, or annual installments, as agreed to between the client and the advisor.

### Other Fees and/or Costs

When Commonwealth effects securities transactions for a PPS Custom Program (Transactions) account, Commonwealth assesses transaction charges to offset the asset-based fees and other fees it pays to its clearing broker/dealer and to generate additional revenue for Commonwealth.

In addition to the annual management fee, PPS Custom Program (Transactions) account clients will pay transaction charges as set forth below and as may be modified from time to time by Commonwealth.

Transaction Charges			
Stocks, ETFs, and Closed-End Funds			
Online order entry (including block trades)		\$7.95 <sup>1</sup> /\$4.95 <sup>2</sup>	
Trader assisted		\$25 <sup>1</sup>	
Bonds, CDs, CMOs, and structured products		\$30 <sup>1</sup>	
UITs		\$20 <sup>1</sup>	
Options			
Online order entry (including block trades)		\$15 + \$1 per contract <sup>1</sup>	
Trader assisted		\$20 + \$1.25 per contract <sup>1</sup>	
Alternative Investments		\$50	
Precious Metals		\$50 <sup>1</sup>	
Mutual Funds			
	No Transaction Fee (NTF)	Supporting <sup>3</sup>	Nonsupporting <sup>4,5</sup>
Buy	\$0	\$12 <sup>2</sup> /\$15 <sup>1</sup>	\$30 <sup>1</sup> /\$35 <sup>1,6</sup>
Sell	\$0 <sup>7</sup>	\$12 <sup>2</sup> /\$15 <sup>1</sup>	\$30 <sup>1</sup> /\$35 <sup>1,6</sup>
Exchange	\$0	\$0	\$30/\$35 <sup>6</sup>
PIP/SWP <sup>8</sup>	\$0	\$0	\$3

<sup>1</sup> Plus service fee of \$4 for accounts *not* enrolled in all available e-notification (e-delivery) options (excluding tax documents).

<sup>2</sup> Account *must* be enrolled in all available e-delivery options (excluding tax documents).

<sup>3</sup> Represents more than 500 supporting fund families from which Commonwealth receives revenue-sharing payments from NFS.

<sup>4</sup> Commonwealth does not receive revenue-sharing payments derived from investments in non-supporting funds. Commonwealth assesses a transaction surcharge for buys, sells, and exchanges of non-supporting funds. Commonwealth's transaction charges are substantially higher



for non-supporting funds to compensate Commonwealth for the absence of revenue sharing. These non-supporting fund families are Dodge & Cox and Vanguard.

<sup>5</sup> Although Commonwealth does receive revenue-sharing payments from NFS that are derived from Dimensional Fund Advisors (DFA) fund assets, these payments are substantially less as a percentage of fund assets than amounts paid by supporting fund families. Commonwealth, therefore, classifies DFA funds as non-supporting funds. Commonwealth assesses the same surcharges for buy transactions in DFA funds that are noted in footnote 4 for non-supporting funds. DFA sell transaction surcharges, identified in footnote 3, are lower than sell transactions for other non-supporting funds identified in footnote 4. DFA sell transactions processed through Commonwealth's Trade Desk shall be \$20 for accounts. Commonwealth's receipt of revenue-sharing payments from DFA fund assets (albeit substantially less than from supporting funds), combined with the higher transaction charges for buys, generates greater revenue for Commonwealth relative to DFA fund assets than the other non-supporting funds identified in footnote 4.

<sup>6</sup> If processed by Commonwealth's Trade Desk.

<sup>7</sup> Funds purchased prior to their NTF effective date will still incur a transaction charge.

<sup>8</sup> Periodic investment plans (PIPs) and systematic withdrawal plans (SWPs) carry a \$100 minimum.

If a client is not enrolled in all available e-notification/e-delivery options, Commonwealth assesses a service fee to offset the asset-based fees it pays to its clearing broker/dealer and to generate additional revenue for Commonwealth.

In addition to the charges noted above, clients incur certain charges imposed by Commonwealth, or by third parties other than Commonwealth or the advisor, in connection with certain investments, transactions, and services in your account. In many cases, Commonwealth will receive a portion or all of these fees and charges or add a markup to the charges clients would otherwise pay to generate additional revenue for Commonwealth. The actual fees and charges that clients will incur are dependent upon the type of account and the nature and quantity of the transactions that occur, the services that are provided, or the positions that are held in the account. Additional fees and charges that clients will typically pay include, but are not limited to:

- Mutual fund and money market 12b-1 fees, sub-transfer agent fees, and distributor fees;
- Mutual fund, ETF, and money market management fees and administrative expenses;
- Mutual fund transaction and redemption fees;
- Certain deferred sales charges on mutual funds purchased or transferred into the account;
- Other transaction charges and service fees;
- Alternative investment custody and valuation fees;
- Alternative investment transfer, purchase and liquidation fees;
- IRA and qualified retirement plan fees;
- Other charges that may be required by law;
- Brokerage account fees and charges; and
- HSA account fees.

When Commonwealth assesses a mark-up on a fee or charge to clients, Commonwealth keeps the difference between the fee paid and the amount paid to NFS, to cover its internal and external costs associated with processing the transaction(s) and providing other services and to generate revenue. This presents a conflict for Commonwealth, because setting a higher fee results in greater compensation to Commonwealth. These mark-ups are in addition to the investment advisory fees clients pay to Commonwealth, and clients should consider the additional revenue that Commonwealth receives when evaluating the appropriateness of the investment advisory fees.

In addition, investments that are interests in investment funds, such as mutual funds, ETFs and unit investment trusts, or products such as education savings plans, nontraded alternative investments, and variable insurance products, include ongoing management fees and expenses that are embedded into the cost of the investment. Clients pay these ongoing fees and expenses indirectly because they are embedded in the cost and price of the investment. More information about ongoing fees and expenses associated with investment funds and variable insurance products is available in the specific fund or product prospectus or offering documents. Fees and costs vary across investments. For more information, refer to the prospectus or other offering documents.

Information describing the brokerage fees and charges that are applicable to a Commonwealth brokerage or managed account is provided on Commonwealth's Schedule of Miscellaneous



Account and Service Fees, which is available on Commonwealth's website at [www.commonwealth.com/clients/media/Commonwealth\\_Brokerage\\_Fee\\_Schedule.pdf](http://www.commonwealth.com/clients/media/Commonwealth_Brokerage_Fee_Schedule.pdf).

Commonwealth advisors select share classes of mutual funds that pay Commonwealth 12b-1, sub-transfer agent, distributor, transaction, and/or revenue-sharing fees when lower-cost institutional or advisory share classes of the same mutual fund exist that do not pay Commonwealth or your advisor additional fees. As a matter of policy, Commonwealth credits the mutual fund 12b-1 fees it receives from mutual funds purchased or held in Commonwealth managed accounts back to the client accounts paying such 12b-1 fees.

In most cases, mutual fund companies offer multiple share classes of the same mutual fund. Some share classes of a fund charge higher internal expenses, whereas other share classes of a fund charge lower internal expenses. Institutional and advisory share classes typically have lower expense ratios and are less costly for a client to hold than Class A shares or other share classes that are eligible for purchase in an advisory account. Mutual funds that offer institutional share classes, advisory share classes, and other share classes with lower expense ratios are available to investors who meet specific eligibility requirements that are described in the mutual fund's prospectus or its statement of additional information. These eligibility requirements include, but may not be limited to, investments meeting certain minimum dollar amounts and accounts that the fund considers qualified advisory programs. The lowest-cost mutual fund share class for a particular fund may not be offered through Commonwealth or made available by Commonwealth for purchase within specific types of Commonwealth program accounts. Moreover, even when a lower-cost mutual fund share class for a particular fund is offered through Commonwealth or is made available by Commonwealth for purchase within specific types of Commonwealth program accounts, Commonwealth or your advisor may not purchase the lower-cost share class for your account or convert higher-cost share classes you already own to a lower-cost share class. Clients should never assume that they will be invested in the share class with the lowest possible expense ratio or cost.

Commonwealth urges clients to discuss with their advisor whether lower-cost share classes are available in their particular program account. Clients should also ask their advisor why the particular funds or other investments that will be purchased or held in their managed account are appropriate for them in consideration of their expected holding period, investment objective, risk tolerance, time horizon, financial condition, amount invested, trading frequency, the amount of the advisory fee charged, whether the client will pay transaction charges for fund purchases and sales, whether clients will pay higher internal fund expenses in lieu of transaction charges that could adversely affect long-term performance, and relevant tax considerations. Your advisor may recommend, select, or continue to hold a fund share class that charges you higher internal expenses than other available share classes for the same fund.

The purchase or sale of TF funds available for investment through Commonwealth will result in the assessment of transaction charges to the client or advisor. Although NTF funds do not assess transaction charges, most NTF funds have higher internal expenses than funds that do not participate in an NTF program. These higher internal fund expenses are assessed to investors who purchase or hold NTF funds. A portion of these fees are paid to Commonwealth by NFS. Depending upon the frequency of trading and hold periods, NTF funds may cost the client more, or may cost Commonwealth or the advisor less, than mutual funds that assess transaction charges but have lower internal expenses. In addition, the higher internal expenses charged to clients who hold NTF funds will adversely affect the long-term performance of their accounts when compared with share classes of the same fund that assess lower internal expenses.

Further, a large percentage of Commonwealth's clients maintain accounts with NFS, Commonwealth's clearing firm. NFS is an affiliate of Fidelity Institutional<sup>SM</sup>, which serves as the custodian for Commonwealth's clients' assets, including substantially all of the PPS managed accounts. In addition to executing and clearing transactions for Commonwealth's advisory and brokerage clients, NFS operates a platform through which NTF funds are available, as well as a platform for TF funds.



As noted above, transactions involving NTF funds may be executed without the imposition of transaction charges, while transactions involving TF funds are assessed such charges. A substantial number of the mutual funds that have share classes available on the platforms that NFS operates make payments to NFS for performing certain shareholder services that would otherwise be performed by the mutual funds. The revenue-sharing payments made by mutual funds to NFS are based upon the amount of assets invested (or, on occasion, a per-position fee) in such mutual funds by clients maintaining accounts with NFS. As Commonwealth performs certain shareholder services with respect to its clients who hold positions in mutual funds that make revenue-sharing payments, NFS shares a considerable amount of the revenue-sharing payments it receives from mutual funds with Commonwealth.

It is important to note that certain mutual funds with share classes that are available on the TF platform operated by NFS do not make revenue-sharing payments to NFS. As a result, Commonwealth does not receive revenue-sharing payments from NFS with respect to its clients' holdings in such mutual funds. In particular, and as noted in Item 4. Advisory Business, mutual funds sponsored by Fidelity Investments, which directly or indirectly owns NFS, do not make revenue-sharing payments to NFS. Also, certain mutual funds that make revenue-sharing payments to NFS with respect to certain share classes offer other share classes for which revenue-sharing payments are not made to NFS. In some cases, these lower-fee mutual funds have higher-return share classes available that did not result in payments to Commonwealth. Commonwealth's advisors are free to and do select mutual funds and mutual fund share classes for which revenue-sharing payments are not made. Further, the revenue-sharing payments Commonwealth receives from NFS are not paid or directed to any of Commonwealth's advisors. The revenue Commonwealth receives creates a financial incentive to select NTF mutual funds that result in compensation to Commonwealth over other mutual funds that do not, including lower-cost share classes of the same mutual fund that do not make payments.

Commonwealth's business relationship with NFS provides Commonwealth considerable revenue-sharing benefits that do not exist when clients participate in other programs and services, including TPAMs, that hold client assets away from NFS. As noted in Item 4. Advisory Business and Item 14. Client Referrals and Other Compensation, Commonwealth receives substantial monthly revenue-sharing payments from NFS based on client assets held by Commonwealth with NFS in non-Fidelity NTF funds that participate in Fidelity's NTF program, non-Fidelity TF funds that participate in Fidelity's TF program, and Fidelity Money Market Sweep portfolios.

Commonwealth's revenue-sharing agreement with NFS, and the existence of various fund share classes with lower internal expenses that Commonwealth may not make available for purchase in its managed account programs, present a conflict of interest between clients and Commonwealth. A conflict of interest exists because Commonwealth has a greater incentive to make available, recommend, or make investment decisions regarding investments that provide additional compensation to Commonwealth that cost clients more than other available share classes in the same fund that do not provide additional compensation to Commonwealth and cost you less. For those Commonwealth advisory programs that assess transaction charges to clients or to Commonwealth or the advisor, a conflict of interest exists because Commonwealth and your advisor have a financial incentive to recommend or select NTF funds that do not assess transaction charges but cost you more in internal expenses than funds that do assess transaction charges but cost you less in internal expenses.

In addition to reading this Brochure carefully, clients are urged to inquire whether lower-cost share classes are available and/or appropriate for their account in consideration of their expected investment holding periods, amounts invested, and anticipated trading frequency. Further information regarding fees and charges assessed by a mutual fund is available in the appropriate mutual fund prospectus.

#### **Prorated Rebate of Fees Paid in Advance**

In the event a client terminates an advisory agreement with Commonwealth and their advisor, any unearned fees resulting from advanced payments will be refunded to the client from the date of termination through the end of the applicable billing period.





## **Other Forms of Compensation**

As mentioned above, an ongoing asset management fee, billed quarterly in advance, is the most common method of payment for the asset management services provided by Commonwealth and the advisor, and it is the most common method in use by Commonwealth's most popular advisory offerings, such as PPS Custom, PPS Select, PPS Direct, and unaffiliated TPAM programs. In some cases, the annual account fee may be payable monthly rather than quarterly, certain managed account programs will charge fees in arrears rather than in advance, and managed account programs will have differing methods of fee calculation. Please refer to the respective program descriptions in this Brochure, the respective client agreement, and the respective TPAM Program Brochure (if applicable) for specific information about the annual fees and other charges for a program, the varying fee schedules applicable to each program, and the methods of fee billing for the program(s) you select.

In addition to the annual asset management fee, and unless otherwise agreed between advisor and client, clients participating in PPS Direct, PPS Select, or PPS Custom (Platform) wrap fee programs will pay Commonwealth an annual platform or program fee. In most cases, the annual platform or program fee is payable quarterly in advance and is computed as one-quarter of the annual fee based on the total value of your account on the last business day of the previous quarter.

In addition to the annual asset management fee, and unless otherwise agreed between advisor and client, clients participating in PPS Custom (Transactions) program will pay transaction charges as set forth in the Other Fees and/or Costs section above and may be modified from time to time by Commonwealth.

Clients should be aware that, when assets are invested in shares of investment company products, variable insurance products, and certain alternative investments within a managed account program, clients will pay investment advisory fees to Commonwealth and to the advisor for their advisory services in connection with the investments. In addition to the payments received by Commonwealth and the advisor, clients will also pay management fees, mutual fund and money market 12b-1 fees, sub-transfer agent fees, mutual fund and money market administrative expenses, mutual fund transaction fees, certain deferred sales charges and redemption fees on previously purchased mutual funds, annuity internal expenses and fees, and other fees charged by the investment company, insurance product, or alternative investment sponsor, which are typically charged to clients as an internal expense of the product. These internal expenses are described in the prospectus or offering document for the specific product. Clients may be able to invest directly in the investment company, insurance product, or alternative investment without incurring the investment advisory fees, platform fees, or transaction charges assessed by Commonwealth or their advisor. If a client's assets are invested in a fee-based annuity, the client will pay both the direct management fee to Commonwealth and their advisor for the advisory services provided by Commonwealth and the advisor in connection with that investment and, indirectly, the management and other fees charged by the underlying annuity investment options, as well as the charges assessed by the insurance company for the product. Of course, clients should also be aware of the tax implications of investing, as well as of the existence of deferred sales charges or redemption fees charged by some product sponsors for positions the client subsequently sells in Commonwealth managed accounts.

Commonwealth and your advisor receive service fees and other compensation from certain investment product sponsors and distributors when they make recommendations or investment decisions for you. These fees and compensation include, but are not limited to, ETF, mutual fund and money market 12b-1 and sub-transfer agent fees, mutual fund transaction fees, due diligence fees, marketing reimbursements or reallowances, or other transaction or service fees. This additional compensation presents a conflict of interest because Commonwealth and your advisor have a greater incentive to make available, recommend, or make investment decisions regarding investments for your account that provide additional compensation to your advisor or Commonwealth over other investments that do not provide additional compensation to your advisor or Commonwealth. Clients are urged to read and consider the contents of this Brochure carefully and to inquire about Commonwealth's and the advisor's various sources of compensation and conflicts of interest in making a fair and reasonable assessment of the fees and charges clients will pay for the services rendered by Commonwealth and their advisor.





Further information about Commonwealth's and your advisor's sources of compensation and conflicts of interest is provided in this Brochure. Information regarding fees and charges assessed to you by the investment products you purchase is available in the appropriate product prospectus, statement of additional information, and/or investment offering document.

**Special disclosures for ERISA plans.** In this Brochure, Commonwealth has disclosed conflicts of interest, such as receiving additional compensation from third parties (e.g., 12b-1 fees, sub-transfer agent fees, and revenue sharing) for providing marketing, recordkeeping, or other services in connection with certain investments. Commonwealth, however, has adopted policies and procedures that are designed to ensure compliance with the prohibited transaction rules under ERISA, as amended. For example, Commonwealth has taken several steps to address the conflict of interest associated with Commonwealth's or advisors' receipt of compensation for services provided to ERISA plans.

First, an advisor negotiates the compensation with ERISA plan sponsors or participants ("ERISA clients") and the compensation is either an annual fee for ongoing services based on a percentage of assets under advisement, a flat fee, and/or an hourly rate. Second, to the extent that an advisor receives additional compensation from a third party, the advisor must report it to Commonwealth to enable the additional compensation to be offset against the fees that the ERISA clients would otherwise pay for the advisor's services. Third, Commonwealth has established a policy not to influence any advisor's advice or management of assets at any time or for any reason based on any compensation that Commonwealth or the advisor might receive from third parties. In no event will Commonwealth allow advisors to provide advice or manage assets for ERISA clients if they have conflicts of interest that Commonwealth believes are prohibited by ERISA.

Commonwealth and its advisors will disclose a description of its services along with (i) direct compensation received from ERISA clients; (ii) indirect compensation (e.g., 12b-1 fees) received from third parties; and (iii) transaction-based compensation (e.g., commissions) or other similar compensation shared with related parties servicing the ERISA plan. These disclosures will be made reasonably in advance of entering into, renewing, or extending the advisory service agreement with the ERISA client.

## Item 6: Performance-Based Fees and Side-by-Side Management

Commonwealth does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## Item 7: Types of Clients

Commonwealth generally provides advisory services to the following types of clients:

- Individuals (other than high-net-worth individuals)
- High-net-worth individuals
- Corporations or other businesses
- Pension and profit-sharing plans
- State or municipal government entities
- Charitable organizations

Most Commonwealth clients are retail clients who fall under the "Individuals (other than high-net-worth individuals)" category. This category includes, but is not limited to, individual, joint, trust, IRA, 401(k) participant, and custodial accounts.

Charitable organizations sponsor donor-advised-funds, or DAFs. DAFs are planned giving vehicles where clients make an irrevocable gift into an account owned by a charitable organization and can recommend distributions to charities of their choice thereafter. Clients have the option to request Commonwealth serve as the investment adviser on the account and pay Commonwealth and the advisor an investment advisory fee based on assets in the DAF. In such case, the advisor has an incentive to advise a client to



make a distribution directly to a DAF in lieu of a charity and advise against distributions from the DAF to eligible charities because doing so would dilute the amount of assets managed when Commonwealth and the advisor are paid on a percentage of such assets. However, advisors are obligated to act in the best interests of the client when providing investment advice to a DAF.

Commonwealth's various managed account programs generally require clients to meet certain program account minimums. In some cases, account balances may be combined at the household level to satisfy the account minimum. Commonwealth and the respective Program Sponsors may waive account minimum requirements for their respective programs at their sole discretion. The following is a description of the account minimums in the various managed accounts available through Commonwealth:

- The PPS Custom Program generally involves a \$25,000 account minimum.
- The account minimums for the PPS Select programs generally start at \$1,000 for Passive model portfolios and \$10,000 for Active model portfolios.
- The PPS Select DFA Program minimum is generally \$50,000. The PPS Select Equity SMA Program minimum is generally \$100,000. The PPS Select Fixed Income SMA Program minimum is generally \$500,000.
- The account minimums for PPS Direct programs vary and are typically determined by third-party portfolio managers. In general, the PPS Direct Mutual Fund/ETF account minimums are \$25,000. The PPS Direct SMA account minimums are typically \$100,000–\$250,000. The PPS Direct UMA Program minimum is generally \$250,000.
- Commonwealth also offers clients access to certain TPAM programs. Account minimums for TPAM Program accounts vary but are generally \$25,000–\$50,000.

## Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss

### Methods of Analysis and Investment Strategies

Investing in securities involves risk of loss that investors should be sure they understand and are prepared to bear.

Commonwealth primarily serves retail investors. Commonwealth advisors have the independence to take the approach they believe is most appropriate when analyzing investment products and strategies for clients. There are several sources of information that Commonwealth and the advisor may use as part of the investment analysis process. These sources include, but are not limited to:

- Prospectuses and offering materials
- Product and sponsor sales materials
- Sponsor due diligence meetings and product presentations
- Financial publications
- Research, software, and materials prepared by third parties
- Corporate rating services
- SEC filings (e.g., annual reports, prospectus, and 10-K)
- Company news releases

As a firm, Commonwealth does not favor any specific method of analysis over another and, therefore, would not be considered to have one approach deemed to be a “significant strategy.” There are, however, a few common approaches that may be used by Commonwealth or your advisor, individually or collectively, in the course of providing advice to clients. **It is important to note that there is no investment strategy that will guarantee a profit or prevent loss.** Following are some common strategies employed by Commonwealth and its advisors in the management of client accounts:

- **Dollar-cost averaging (“DCA”):** This is the technique of buying a fixed dollar amount of a particular investment on a regular schedule, regardless of the share price. More shares are purchased when prices are low, and fewer shares are bought when prices are high. DCA is believed



to lessen the risk of investing a large amount in a single investment at a higher price. DCA strategies do not prevent loss in declining markets.

- **Asset allocation:** This is an investment strategy that aims to balance risk and reward by allocating assets among a variety of asset classes. At a high level, there are three main asset classes—equities (stocks), fixed income (bonds), and cash/cash equivalents—each of which has different risk and reward profiles/behaviors. Asset classes are often further divided into domestic and foreign investments, and equities are often divided into small, intermediate, and large capitalization. The general theory behind asset allocation is that each asset class will perform differently from the others in different market conditions. By diversifying a portfolio of investments among a wide range of asset classes, advisors seek to reduce the overall volatility and risk of a portfolio through avoiding overexposure to any one asset class during various market cycles. Asset allocation does not guarantee a profit or protect against loss.
- **Technical analysis (aka “charting”):** This is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security’s intrinsic value. Instead, they use charts and other tools to identify patterns that can suggest future activity. When looking at individual equities, a person using technical analysis generally believes that performance of the stock, rather than performance of the company itself, has more to do with the company’s future stock price. It is important to understand that past performance does not guarantee future results.
- **Fundamental analysis:** This is a method of evaluating a security that entails attempting to measure its intrinsic value by examining related economic, financial, and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security’s value, including macroeconomic factors (e.g., the overall economy and industry conditions) and company-specific factors (e.g., financial condition and management). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security’s current price, with the aim of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis does not guarantee a profit or protect against loss.
- **Quantitative analysis:** This is an analysis technique that seeks to understand behavior by using complex mathematical and statistical modeling, measurement, and research. By assigning a numerical value to variables, quantitative analysts try to replicate reality mathematically. Some believe that it can also be used to predict real-world events, such as changes in a share price. Quantitative analysis does not guarantee a profit or protect against loss.
- **Qualitative analysis:** This securities analysis uses subjective judgment based on nonquantifiable information, such as management expertise, industry cycles, strength of research and development, and labor relations. This type of analysis technique is different from quantitative analysis, which focuses on numbers. The two techniques, however, are often used together. Qualitative analysis does not guarantee a profit or protect against loss.

The PPS Select Program is based on asset allocation concepts and modern portfolio theory. The PPS Select portfolios are designed to provide long-term, risk-adjusted returns for investors across the risk/return spectrum. Depending on the program and model selected by a client, the program may invest in open-end mutual funds, closed-end funds, ETFs, individual municipal fixed income securities, and individual equity securities managed by Commonwealth’s Investment Management and Research team. When selecting investments for inclusion or removal from the PPS Select portfolios, the Investment Management and Research team conducts extensive due diligence.

Commonwealth’s investment philosophy process has five steps: screening, evaluation, analysis, portfolio construction, and ongoing monitoring:

- **Step 1—Screening:** An initial screening process based on quantitative criteria is used as a starting point for further research. Its purpose is to narrow down the universe of investments that meet Commonwealth’s objective criteria.
- **Step 2—Evaluation:** After screening, the investment (or group of investments) under consideration is evaluated by applying a scoring system based on returns that are adjusted to take into account



quantifiable risk. The investment is also evaluated based on its peer group ranking, benchmark relative performance, and consistency of investment management style.

- **Step 3—Analysis:** The objective of this step is to build a solid understanding of how the investment operates. During this stage, the Investment Management and Research team spends a great deal of time evaluating the investment's philosophy and process to ensure that they are consistent. After the in-depth quantitative and qualitative analysis is complete, the team meets with the potential investment's key decision makers—either on-site or over the phone—to gain a greater understanding of their process for managing the portfolio.
- **Step 4—Portfolio construction:** After Commonwealth's portfolio managers have determined that the investment is attractive on a stand-alone basis, they assess how well the investment complements and fits with other PPS Select portfolio holdings. A review of certain metrics, such as excess-return correlation, is performed to reasonably ensure that holdings will perform as expected in different market environments.
- **Step 5—Ongoing monitoring:** The PPS Select portfolios are monitored on an ongoing basis. The Investment Management and Research team continually conducts performance reviews, holdings-based attribution analysis, firm commentary reviews, and conference calls and meetings to determine whether a portfolio is meeting the team's risk-adjusted return expectations and an investment's stated objective.

### Risk of Loss

Regardless of what investment strategy or analysis is undertaken, investing in securities involves risk of loss that clients must be prepared to bear; in fact, some investment strategies could result in total loss of your investment. Some risks may be avoided or mitigated, while others are completely unavoidable. When evaluating risk, financial loss may be viewed differently by each client and may depend on many different risks, each of which may affect the probability and magnitude of any potential losses. The following risks may not be all inclusive but should be considered carefully by a prospective client before retaining our services.

Some of the common risks you should consider prior to investing include, but are not limited to:

- **Market risks:** The prices of, and the income generated by, the common stocks, bonds, and other securities you own may decline in response to certain events taking place around the world, including those directly involving the issuers; conditions affecting the general economy; overall market changes; local, regional, or global political, social, or economic instability; governmental or governmental agency responses to economic conditions; and currency, interest rate, and commodity price fluctuations.
- **Interest rate risks:** The prices of, and the income generated by, most debt and equity securities will most likely be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities. For example, the prices of debt securities generally decline when interest rates rise and increase when interest rates fall. In addition, falling interest rates may cause an issuer to redeem, "call," or refinance a security before its stated maturity date, which would typically result in having to reinvest the proceeds in lower-yielding securities.
- **Credit risks:** Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default.
- **Risks of investing outside the U.S.:** Investments in securities issued by entities based outside the U.S. are often subject to the risks described above, to a greater extent.
- **Margin transactions:** Securities transactions in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan, inherently have more risk than cash purchases. If the value of the shares drops sufficiently, the investor will be required to deposit more cash into the account or sell a portion of the stock to maintain the margin requirements of the account. This is known as a "margin call." An investor's overall risk in accounts using margin includes the amount of money invested plus the amount loaned to them.
- **Pledging assets:** Pledging assets in an account to secure a loan involves additional risks. The bank holding the loan has the authority to liquidate all or part of the securities at any time without



prior notice in order to maintain required maintenance levels, or to call the loan at any time, and this may cause you to sell assets and realize losses in a declining market. In addition, because of collateral requirements imposed by the bank, investment decisions for the account may be restricted. These restrictions, or a forced liquidation, may interfere with your long-term investment goals and/or result in adverse tax consequences.

- **Tax considerations:** Our strategies and investments may have unique and significant tax implications. Unless specifically agreed otherwise, and in writing, however, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, it is strongly recommended that you consult with a tax professional regarding the investing of your assets. Custodians and broker/dealers must report the cost basis of equities acquired in client accounts. Your custodian will default to the first-in, first-out ("FIFO") accounting method for calculating the cost basis of your equity investments and average cost for mutual fund positions. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, provide written notice to our firm immediately, and Commonwealth will alert your account custodian of your individually selected accounting method. Decisions about cost basis accounting methods will need to be made before trades settle; the cost basis method cannot be changed after settlement.
- **Risk of loss:** Investing in securities involves risk of loss that you should be prepared to bear. Commonwealth and your advisor do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met.
- **Liquidity risk:** This is the risk of being unable to sell your investment at a fair price at a given time due to high volatility or lack of active liquid markets. You may receive a lower price, or it may not be possible to sell the investment at all. Certain structured products, interval funds, and alternative investments are less liquid than securities traded on an exchange, and you should be aware that you may not be able to sell these products outside of prescribed time periods. You should consult your advisor prior to purchasing products considered illiquid and in instances where changes in your financial situation and objectives may increase your need for liquidity.
- **Inflation risk:** Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of a client's future interest payments and principal. Inflation also generally leads to higher interest rates, which may cause the value of many types of fixed income investments to decline.
- **Time horizon and longevity risk:** Time horizon risk is the risk that your investment horizon is shortened because of an unforeseen event (e.g., the loss of your job). This may force you to sell investments that you were expecting to hold for the long term. If you must sell when the markets are down, you may lose money. Longevity risk is the risk of outliving your savings. This risk is particularly relevant for people who are retired or nearing retirement.
- **Recommendation of particular types of securities:** Commonwealth and your advisor will recommend various types of securities and do not primarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks, and it would not be possible to list all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. In very general terms, however, the higher the anticipated return of an investment, the higher the risk of loss associated with the investment. Descriptions of the types of securities Commonwealth and your advisor may recommend to you and some of their inherent risks are provided below:
  - *Money market funds:* A money market fund is technically a security, and, as such, there is a risk of loss of principal, though it is rare. In return for this risk, you should earn a greater return on your cash than you would expect from a Federal Deposit Insurance Corporation ("FDIC") insured savings account (money market funds are not FDIC insured). Next, money market fund rates are variable. In other words, you do not know how much you will earn on your investment next month. The rate could go up or down. If it goes up, that may result in a positive outcome. If it goes down, however, and you earn less than you expected to, you may end up needing more cash. A final risk you are taking with money market funds has to do with inflation. Because





money market funds are considered to be safer than other investments, long-term average returns on money market funds tend to be less than long-term average returns on riskier investments. Over long periods of time, inflation can eat away at your returns.

- *Municipal securities*: Municipal securities, while generally thought of as safe, can have significant risks associated with them, including, but not limited to, the creditworthiness of the governmental entity that issues the bond, the stability of the revenue stream that is used to pay the interest to the bondholders, when the bond is due to mature, and whether the bond can be “called” prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.
- *Bonds*: Also known as corporate debt securities, bonds are typically safer investments than equity securities, but their risk can also vary widely based on the financial health of the issuer, the risk that the issuer might default, when the bond is set to mature, and whether the bond can be “called” prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.
- *Stocks*: There are numerous ways of measuring the risk of equity securities (also known simply as “equities” or “stocks”). In very broad terms, the value of a stock depends on the financial health of the company issuing it. Stock prices, however, can be affected by many other factors, including, but not limited to, the class of stock (e.g., preferred or common), the health of the market sector of the issuing company, and the overall health of the economy. In general, larger, more well-established companies (i.e., large-caps) tend to be safer than smaller start-up companies (i.e., small-caps), but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.
- *Mutual funds and ETFs*: Mutual funds and ETFs are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager who trades the fund’s investments in accordance with the fund’s investment objective. Although mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small-cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (e.g., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds in that they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are “no load,” meaning there’s no fee to buy into or sell out of the fund, other types of mutual funds do charge such fees, which can also reduce returns. Mutual funds can also be “closed-end” or “open-end.” Open-end mutual funds continue to allow new investors indefinitely, whereas closed-end funds have a fixed number of shares to sell, which can limit their availability to new investors.
- *Variable annuities*: A variable annuity is a form of insurance where the seller or issuer (typically an insurance company) makes a series of future payments to a buyer (annuitant) in exchange for the immediate payment of a lump sum (single-payment annuity) or a series of regular payments (regular-payment annuity). The payment stream from the issuer to the annuitant has an unknown duration based principally upon the date of death of the annuitant. At this point, the contract will terminate, and the remainder of the funds accumulated will be forfeited unless there are other annuitants or beneficiaries in the contract. Annuities can be purchased to provide an income during retirement. Unlike fixed annuities that make payments in fixed amounts or in amounts that increase by a fixed percentage, variable annuities pay amounts that vary according to the performance of a specified set of investments, typically bond and equity mutual funds. Many variable annuities typically impose asset-based sales charges or surrender charges for withdrawals within a specified period. Variable annuities may impose a variety of fees and expenses, in addition to sales and surrender charges, such as mortality and expense risk charges, administrative fees, underlying fund expenses, and charges for special features, all of which can reduce the return.
- *Real estate*: Real estate is increasingly being used as part of a long-term core strategy due to increased market efficiency and increasing concerns about the future long-term variability of stock and bond returns. In fact, real estate is known for its ability to serve as a portfolio



diversifier and inflation hedge. The asset class still bears a considerable amount of market risk, however. Real estate has shown itself to be very cyclical, somewhat mirroring the ups and downs of the overall economy. In addition to employment and demographic changes, real estate is influenced by changes in interest rates and the credit markets, which affect the demand and supply of capital and, thus, real estate values. Along with changes in market fundamentals, investors wishing to add real estate as part of their core investment portfolios need to look for property concentrations by area or property type. Because property returns are directly affected by local market basics, real estate portfolios that are too heavily concentrated in one area or property type can lose their risk mitigation attributes and bear additional risk by being too influenced by local or sector market changes.

- *Limited partnerships*: A limited partnership is a financial affiliation that includes at least one general partner and a number of limited partners. The partnership invests in a venture, such as real estate development or oil exploration, for financial gain. The general partner has management authority and unlimited liability. The general partner runs the business and, in the event of bankruptcy, is responsible for all debts not paid or discharged. The limited partners have no management authority, and their liability is limited to the amount of their capital commitment. Profits are divided between general and limited partners according to an arrangement formed at the creation of the partnership. The range of risks is dependent on the nature of the partnership and disclosed in the offering documents if privately placed. Publicly traded limited partnerships have similar risk attributes to equities; however, like privately placed limited partnerships, their tax treatment is under a different tax regime from equities. You should speak to your tax advisor in regard to their tax treatment.
- *Options contracts*: Options are complex securities that involve risks and are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss. It is generally recommended that you invest only in options with risk capital. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date (i.e., the expiration date). The two types of options are calls and puts. A call gives the holder the right to buy an asset at a certain price within a specific period of time. Calls are similar to having a long position on a stock. Buyers of calls hope that the stock will increase substantially before the option expires. A put gives the holder the right to sell an asset at a certain price within a specific period of time. Puts are very similar to having a short position on a stock. Buyers of puts hope that the price of the stock will fall before the option expires. Selling options is more complicated and can be even riskier. Option trading risks are closely related to stock risks, as stock options are a derivative of stocks.
- *Structured products*: A structured product is generally a prepackaged investment strategy based on derivatives, such as a single security, a basket of securities, options, indices, commodities, debt issuances, and/or foreign currencies, and, to a lesser extent, swaps. Structured products are usually issued by investment banks or affiliates thereof. In addition to a fixed maturity, they have two components: a note and a derivative. The derivative component is often an option. The note provides for periodic interest payments to the investor at a predetermined rate, and the derivative component provides for the payment at maturity. Some products use the derivative component as a put option written by the investor that gives the buyer of the put option the right to sell to the investor the security or securities at a predetermined price. Other products use the derivative component to provide for a call option written by the investor that gives the buyer of the call option the right to buy the security or securities from the investor at a predetermined price. A feature of some structured products is a “principal guarantee” function, which offers protection of principal if held to maturity. These products are not always FDIC insured, however; they may only be insured by the issuer and, thus, have the potential for loss of principal in the case of a liquidity crisis or other solvency problems with the issuing company. Investing in structured products involves several risks, including, but not limited to, fluctuations in the price, level, or yield of underlying instruments; interest rates; currency values; and credit quality. It also involves the risk of substantial loss of principal, limits on participation in any appreciation of the underlying instrument, limited liquidity, credit risk of the issuer, conflicts of interest, and other events that are difficult to predict.
- *Leveraged/Inverse ETFs, ETNs, and Mutual Funds*: Leveraged products seek to deliver multiples (e.g., 2x) of the performance of the index or benchmark they track. Some leveraged





products are inverse or short funds, meaning they seek to deliver the opposite of the performance of the index or benchmark they track. They can track broad indices, sector-specific, or are linked to commodities or currencies. Leverage and inverse products have unique characteristics and can be riskier than traditional ETFs, ETNs, and mutual funds. Most leveraged and inverse products “reset” daily, meaning they are designed to achieve their stated objectives on a daily basis. To accomplish these objectives, these products may not be diversified and use a range of strategies, including swaps, future contracts, and other derivatives. Due to fund expenses, continuous resetting of returns and other factors, these products may not be able to replicate the index or benchmark they are tracking, also known as tracking error. In addition, for leveraged products, compounding of the returns can produce a divergence over time, which could be amplified in a volatile market with large positive and negative swings.

- *Value-Based Investing Risk:* Value-based investing is also sometimes referred to as “environmental, social, and governance (ESG) investing,” “socially responsible investing,” or “sustainable investing.” These types of strategies may seek to achieve value-based outcomes to achieve exposure to particular goals or themes, and/or to screen out certain companies and industries. Advisors may consider social or environmental goals, including but not limited to corporate governance structures and international, domestic or industry agreements, when determining which securities to include in a portfolio. These investment strategies may reduce or increase a portfolio’s exposure to certain companies or industries and the portfolio may forego certain investment opportunities as a result. Investing in value-based investments or strategies may underperform the market as a whole or underperform other strategies that employ a different type of focus or screening methodology. Fund managers, portfolio managers, advisors, and investors likely define the criteria for a particular value-based goal, such as ESG, differently. Review fund prospectuses and other materials to gain an understanding of how the term is being used in connection with their investment offerings.

Investments may also be affected by currency controls; different accounting, auditing, financial reporting, disclosure, and regulatory and legal standards and practices; expropriation (occurs when governments take away a private business from its owners); changes in tax policy; greater market volatility; different securities market structures; higher transaction costs; and various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends. These risks may be heightened in connection with investments in developing countries. Investments in securities issued by entities domiciled in the U.S. may also be subject to many of these risks.

Any of the common risks described above could adversely affect the value of your portfolio and account performance, and you can lose money. Even though these risks exist, Commonwealth and your advisor will still earn the fees and other compensation described in this Brochure. Clients should carefully consider the risks of investing and the potential that they may lose principal while Commonwealth and your advisor continue to earn fees and other forms of compensation.

Your investments are not bank deposits and are not insured or guaranteed by the FDIC or any other governmental agency, entity, or person, unless otherwise noted and explicitly disclosed as such, and as such may lose value.

## Item 9: Disciplinary Information

Information on disciplinary history and registration of Commonwealth and persons associated with Commonwealth may be obtained online at [adviserinfo.sec.gov](https://adviserinfo.sec.gov) or [brokercheck.finra.org](https://brokercheck.finra.org) or by contacting state regulatory authorities. Following is a list of those legal or disciplinary events that may be material to your evaluation of Commonwealth or the integrity of Commonwealth’s management.

On April 7, 2023, in *Securities and Exchange Commission vs. Commonwealth Equity Securities, LLC*, Commonwealth was found by the U.S. District Court District of Massachusetts to have violated Section 206(2) of the Advisers Act because it was negligent in its failure to fully disclose conflicts of interest from revenue sharing it received with respect to certain mutual fund share classes during the time period 2014



to 2018. The court also found that Commonwealth violated Section 206(4) and Rule 206(4)-7 in failing to adopt and implement written policies and procedures to disclose the revenue sharing compensation. On March 29, 2024, the court ordered Commonwealth to pay \$65,588,906 in disgorgement, \$21,185,162 in interest, and a fine of \$6,500,000.

During the period January 1, 2014, to March 27, 2014, Commonwealth purchased, recommended, or held for advisory clients' mutual fund share classes that charged 12b-1 fees instead of lower-cost share classes of the same funds for which the clients were eligible. Commonwealth and its associated persons received 12b-1 fees in connection with these investments. The SEC found that Commonwealth failed to disclose in its Form ADV or otherwise the conflicts of interest related to its receipt of 12b-1 fees and/or its selection of mutual fund share classes that pay such fees. As a result of these disclosure failures, the SEC found that Commonwealth violated Sections 206(2) and 207 of the Advisers Act. Pursuant to the Division of Enforcement's Share Class Selection Disclosure Initiative, Commonwealth self-reported these violations to the SEC. On March 11, 2019, the SEC accepted Commonwealth's offer of settlement and entered an administrative order. Without admitting or denying the findings, Commonwealth consented to a cease and desist, censure, and disgorgement of \$1,426,700.16 and prejudgment interest of \$210,603.29.

## Item 10: Other Financial Industry Activities and Affiliations

### **Commonwealth, the Broker/Dealer, and Material Conflicts of Interest**

As mentioned in the "About Us" section, Commonwealth is registered as an investment adviser and a broker/dealer. Commonwealth's registration as a broker/dealer is material to its advisory business because substantially all of its managed accounts are held with Commonwealth's broker/dealer. Depending upon the securities registrations held by each individual advisor, Commonwealth's advisors offer a variety of securities and investments to their clients, including, but not limited to, mutual funds, ETFs, 529 college savings plans, HSAs, annuities, individual stocks and bonds, options, limited partnerships, UITs, real estate investment trusts, DAFs, structured products, alternative investments, and a variety of other securities and insurance products approved for sale by Commonwealth. Several of Commonwealth's principal executive officers and management persons, including Commonwealth's founder and chairman, vice chairman, CEO, president, and CFO, are each individually registered with Commonwealth's broker/dealer. As discussed in Item 5. Fees and Compensation and Item 12. Brokerage Practices of this Brochure, Commonwealth's relationship as a broker/dealer presents a variety of material conflicts of interest with its clients. Commonwealth has separate, fully disclosed clearing arrangements with NFS and Pershing LLC ("Pershing"), a Bank of New York Mellon company.

As part of the investment advisory programs offered to clients, Commonwealth, in its capacity as a broker/dealer, provides brokerage execution services to its advisory clients participating in the PPS programs. Commonwealth and its advisors make securities and insurance recommendations to clients (or, in the case of discretionary services, make investment decisions for clients) regarding Commonwealth's investment advisory programs and services. Where permitted by law, Commonwealth and/or your advisor will receive transaction-based commissions, insurance commissions, mutual fund 12b-1 fees, distributor fees, service fees, due diligence fees, marketing reimbursements, revenue sharing, and other payments relating to your investment in or otherwise supporting Commonwealth's or your advisor's activities regarding the securities and insurance products recommended, purchased, or held within your Commonwealth advisory program account or pursuant to the advisory services provided. To the extent Commonwealth is the investment adviser, sponsor, or other service provider to your investment advisory program, Commonwealth receives compensation for its services. Clients should be aware that Commonwealth's or your advisor's receipt of commissions, fees, payments, and other compensation presents a conflict of interest because Commonwealth and your advisor have an incentive to make available or to recommend those products, programs, or services or make investment decisions regarding investments, that provide additional compensation to Commonwealth or your advisor over other investments that do not provide additional compensation to Commonwealth or your advisor. See also Item 5. Fees and Compensation and Item 12. Brokerage Practices of this Brochure to review information with respect to certain material conflicts of interest that are applicable between Commonwealth and its clients due to its business as a broker/dealer.



### **Other Commonwealth-Related Companies**

Commonwealth has a related company that is licensed as an insurance agency under the name of CES Insurance Agency. Several Commonwealth management persons, and a large majority of its advisors, are licensed insurance agents of CES Insurance Agency. Commonwealth has a related company, Commonwealth Investment Partners, which purchases minority interests in advisor practices or provides loans for advisor liquidity. Commonwealth has a related company, Commonwealth Continuum Advisors, created to offer a suite of investment advisory services and programs to advisors for use with their clients. These investment advisory services and programs are designed to accommodate a wide range of client investment philosophies, goals, needs, and investment objectives.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading**

Pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended, Commonwealth has adopted a Code of Ethics that governs a number of conflicts of interest we have when providing our advisory services to you. Our Code of Ethics is designed to ensure that we meet our fiduciary obligations to you and to foster a culture of compliance throughout our firm.

Our Code of Ethics is comprehensive and is designed to help us detect and prevent violations of securities laws and to help ensure that we keep your interests first at all times. We distribute our Code of Ethics to each supervised person at Commonwealth at the time of their initial affiliation with our firm; we make sure it remains available to each supervised person for as long as they remain associated with our firm; and we ensure that updates to our Code of Ethics are communicated to each supervised person as changes are made.

The Code of Ethics sets forth certain standards of conduct and addresses conflicts of interest among Commonwealth and its employees, agents, advisors, and advisory clients. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

Commonwealth and its advisors often invest in the same securities that we recommend to clients and also recommend securities to, and buy and sell securities for, client accounts at or about the same time that we buy or sell the same securities for our own accounts. These activities create a conflict of interest between us and our clients. Commonwealth policy prohibits “trading ahead” of clients’ transactions to the detriment of clients. When Commonwealth and its advisors are purchasing or selling securities for their own accounts, priority will be given to client transactions, or trades will be aggregated to obtain an average execution price for the benefit of all parties. Commonwealth has implemented surveillance and exception reports that are designed to identify and correct situations in which firm or advisor transactions are intentionally placed ahead of client transactions to the detriment of clients.

## **Item 12: Brokerage Practices**

### **General Overview**

Commonwealth renders investment advice to a large majority of its PPS Program advisory clients on a discretionary basis pursuant to written authorization granted by the client. Commonwealth maintains a primary clearing relationship for the execution of client transactions with NFS as the account custodian. Commonwealth maintains a secondary clearing relationship for the execution of client transactions with Pershing as the account custodian. In some cases, Commonwealth will approve the use of other account custodians for its PPS accounts and at its discretion, will assess an additional administrative fee to the advisor which may result in a higher management fee to the client. Substantially all of PPS advisory clients must select Commonwealth as the broker/dealer of record and NFS as the clearing firm for their PPS managed accounts. NFS and Pershing offer their broker/dealer clients substantial financial strength and stability, economies of scale, and reliable technology.



PPS clients do not generally have the option to direct securities brokerage transactions to other broker/dealers or other account custodians. This constitutes a conflict of interest as Commonwealth receives compensation on trading and other activities for accounts held at NFS. If, however, a client should request, and Commonwealth approve, the use of a broker/dealer other than NFS or Pershing for securities transaction execution, the client should be aware that Commonwealth will generally be unable to negotiate commissions or other fees and charges for the client's account, and Commonwealth would not be able to combine the client's transactions with those of other Commonwealth clients purchasing or selling the same securities ("batched trades"), as discussed further below. As a result, Commonwealth would be unable to reasonably ensure that the client receives "best execution" with respect to such directed trades. Commonwealth may also be unable to provide timely monitoring of transaction activity or provide the client with quarterly performance reporting and other operational or administrative services.

Not all investment advisers that are dually registered as broker/dealers or that have affiliated broker/dealers require their clients to use the adviser's related broker/dealer to execute transactions. Although Commonwealth is often able to obtain price improvement through its trade executions with NFS that it believes is beneficial to its clients, its clearing relationship with NFS provides Commonwealth's broker/dealer with substantial economic benefits by using itself as the broker/dealer and NFS as the clearing firm for its PPS Program accounts rather than an unaffiliated broker/dealer. For example, Commonwealth pays NFS an asset-based fee for custody, clearing, and account-related charges and assesses transaction costs and certain other brokerage account charges and fees to PPS accounts. Commonwealth has also received compensation for continuing to use NFS as its clearing firm in the form of a contract renewal credit.

Additionally, Commonwealth receives continuous revenue-sharing payments from NFS that are derived from certain types of positions and assets in client accounts held at NFS, including mutual funds and money market funds. In the case of money market fund sweep vehicles, Commonwealth receives revenue sharing from NFS based on the average fund balances held in certain Fidelity money market funds for grandfathered accounts that were formerly ineligible or opted out of the bank sweep programs, including Fidelity Government Capital Reserves Money Market Fund (FZAXX) and Fidelity Treasury Money Market Capital Reserves Fund (FSRXX). These money market funds have higher internal expenses than the money market funds available as the sweep option for currently ineligible accounts, which reduce returns over time. This presents a conflict of interest because Commonwealth has continued to use these other money market funds as the sweep vehicle for grandfathered accounts, when lower cost money market funds that do not pay Commonwealth additional compensation are available to be used and are used as sweep vehicles. Commonwealth does not share this compensation with advisors. For information about a money market mutual fund, including interest rates and yield, all charges and expenses, investment objectives, and risks, refer to the fund's prospectus. Read the prospectus carefully before you invest or send money.

Commonwealth also maintains a Core Account Sweep Program with NFS. This program creates substantial financial benefits for Commonwealth and NFS as described here in Item 12. This additional compensation received by Commonwealth in its broker/dealer capacity creates a significant conflict of interest with its clients because Commonwealth has a substantial economic incentive to use NFS as its clearing firm for trade execution and custody over other firms that do not or would not revenue share with Commonwealth. Additionally, by using itself as the broker/dealer for its PPS Program accounts, Commonwealth may be unable to achieve the most favorable execution for client transactions, which may cost clients more money. Further detailed discussion of the substantial economic benefits Commonwealth receives from its relationship with NFS can be found in Item 5. Fees and Compensation, here in Item 12 and in Item 14. Client Referrals and Other Compensation. Clients are urged to read and consider the contents of this Brochure carefully and to inquire about Commonwealth's and the advisor's various sources of compensation and conflicts of interest in making a fair and reasonable assessment of the fees and charges clients will pay for the services rendered by Commonwealth and their advisor.

Lastly, in some cases, Commonwealth will use market intermediaries to execute your orders. The benefit of using market intermediaries is to increase access and liquidity. This is typically the case for bond



trades. These market intermediaries embed their costs into the price they are willing to buy or sell bonds. Commonwealth reviews the execution prices its customers receive as part of its best execution review process.

### **Best Execution**

Commonwealth seeks to obtain, through its clearing firms, the best combination of net price and execution when effecting brokerage transactions for client accounts. Commonwealth periodically and systematically reviews NFS's and Pershing's brokerage execution quality and Commonwealth's processes to ensure that it continues to meet its best execution obligations for its clients.

A number of judgmental factors are used by Commonwealth in analyzing overall trade execution quality and its selection of clearing firms. Such factors include, but are not necessarily limited to:

- The nature of the securities being purchased or sold
- Access to market participants, which may be limited due to thin or no trading activity for a particular security
- The size of the transaction
- The speed of the transaction
- The size of the spread
- The ability to obtain price improvement
- The desired timing of the transaction
- The activity existing and anticipated in the market for the particular security
- The execution, clearance, and settlement capabilities of the executing broker/dealer
- The overall trade execution quality of the executing broker/dealer as compared with other leading executing broker/dealers
- The executing broker/dealer's financial stability and industry reputation
- The efficiency and reliability of the executing broker/dealer's systems and technologies
- The quality of Commonwealth's access to the executing broker/dealer's senior management and the executing broker/dealer's responsiveness to Commonwealth
- The extent to which Commonwealth can leverage the strength of its relationship with the clearing broker/dealer to improve overall service and technology

### **Aggregation of Trade Orders**

Because advisors generally manage their client's accounts independently of one another based on each client's specific needs and objectives, transactions for each client account are often executed independently. When advisors believe it is appropriate or beneficial to do so, however, they will aggregate the purchase or sale of multiple clients' securities together to help facilitate best execution and provide each client with the same execution price. Aggregating multiple client orders together is particularly useful when Commonwealth or your advisor is using model portfolio management strategies.

When Commonwealth and its advisors aggregate orders, they do so in a manner reasonably designed to ensure that no participating client obtains a more favorable execution price than other clients. When Commonwealth or your advisor aggregates multiple client orders, transactions are typically allocated pro rata to the participating client accounts in proportion to the size of the order placed for each account. Commonwealth or your advisor may increase or decrease the amount of securities allocated to each account, if necessary, to avoid holding odd lot or small numbers of shares for particular clients. Additionally, if Commonwealth is unable to fully execute an aggregated order and determines it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro-rata basis, Commonwealth will allocate such securities in a manner determined in good faith to be fair and equitable to the clients involved. Clients should understand that in instances where their assets are maintained at Pershing, Commonwealth is not able to aggregate client orders with those placed for accounts held at NFS.

In the event a money manager ("Manager") through the PPS Direct SMA/UMA Program elects to use brokers/dealers other than Commonwealth to effect a transaction in a security (commonly referred to as





“stepping out” a trade), brokerage commissions, markups and markdowns, and other charges for those transactions are generally charged to the client by the executing broker/dealer, whereas the wrap fees assessed by Commonwealth cover the costs of brokerage commissions and other charges on transactions effected through Commonwealth. Clients in the PPS Direct SMA/UMA Program should be aware that, in cases where a Manager engages in step-out trades, the executing broker/dealer may assess a commission markup or markdown or other charge for having executed the transaction, which will be in addition to the wrap fee assessed by Commonwealth. In such cases, the net purchase or sale price reflected on trade confirmations and brokerage statements provided by Commonwealth for those trades will include the cost of brokerage commissions or dealer markups or markdowns charged by the executing broker and paid for by the client. Due to the additional costs often incurred by clients when Managers engage in step-out trades, Managers who elect to engage in step-out trades will generally cost clients more than Managers who don’t engage in step-out trades. Some Managers have historically directed most, if not all, of their program trades to outside brokers/dealers.

In the selection of brokers/dealers to effect transactions, the Manager is expected to comply with best-execution obligations and consider all relevant factors, including, but not limited to, the speed and efficiency, execution quality, commission rates, and responsiveness of the executing broker/dealer. The Manager may select brokers/dealers that provide the Manager research or other transaction-related services and may cause the client to pay such brokers/dealers commissions or other transaction-related fees in excess of those that other brokers/dealers may have charged, including Commonwealth. Such research and other services may be used for the benefit of the Manager’s accounts where permitted by rule or regulation. Managers who specialize in fixed income, international, small-cap, or ETP disciplines may be more likely to trade away from Commonwealth due to market conditions, liquidity, exchange availability, or other factors they consider relevant in satisfying their best-execution obligations to clients.

Clients should understand that Commonwealth does not evaluate whether a Manager is meeting their best-execution obligations to clients when trading away, as it is not a party to those transactions and is not able to negotiate the prices obtained or transaction-related charge(s) assessed between the Manager and the executing broker/dealer. Commonwealth does not discourage or restrict a Manager’s ability to trade away.

Clients participating in the PPS Direct SMA/UMA Program should review the respective Manager’s Form ADV Disclosure Brochure carefully prior to deciding to do business with any particular Manager. Among other things, the Manager’s Brochure must disclose the Manager’s conflicts and various sources of compensation, best execution policies and practices, and the costs incurred by clients that result from engaging in step-out trades, among other things. Clients should also discuss the use or intended use of any particular Manager with their advisor, including the Manager’s trading practices and the costs that will be borne by the client by choosing to participate in the PPS Direct SMA/UMA Program. Clients who are participating, or who are considering participating, in the PPS Direct SMA/UMA Program are urged to read Commonwealth’s Step-Out Trading Disclosure, available on Commonwealth’s website at [www.commonwealth.com/for-clients/disclosure/step-out-trading](http://www.commonwealth.com/for-clients/disclosure/step-out-trading).

### **Research and Other Soft-Dollar Benefits**

Commonwealth does not use commissions to pay for research and brokerage services (i.e., soft-dollar transactions). Research, along with other products and services other than trade execution, are paid for by Commonwealth in accordance with the terms of clearing agreements with NFS and Pershing.

### **Core Account Sweep Programs (CASPs) and Other Core Account Investment Vehicles**

CASPs are the following bank deposit core account investment vehicles for eligible accounts used to hold cash balances while awaiting reinvestment. The Bank Deposit Sweep Program (“BDSP”) is the core account investment vehicle for eligible brokerage accounts and advisory nonretirement accounts. The Advisory Retirement Sweep Program (“ARSP”) is the core account investment vehicle for eligible advisory retirement accounts. The cash balance in clients’ eligible accounts will be deposited automatically or “swept” into interest-bearing FDIC-insurance eligible Program deposit accounts (“Deposit Accounts”) at one or more FDIC-insured financial institutions (“Program Banks”). The interest rates currently payable on clients’ Deposit Accounts can be obtained from Commonwealth, their advisor, or at



<https://www.commonwealth.com/for-clients/disclosure/core-account-sweep-programs>. Specific features and account eligibility of CASP are further explained in the Disclosure Document provided to clients that participate in CASP. A current version of the CASP Disclosure Document is available at [www.commonwealth.com/clients/media/BankSweepDisclosureDocument.pdf](http://www.commonwealth.com/clients/media/BankSweepDisclosureDocument.pdf).

Clients should note that, though the default options for cash held in accounts are the core account investment vehicles, clients may at any time seek higher yields in other available investment options. For CASP-eligible accounts, Commonwealth does not offer an option to sweep cash balances into money market funds and clients should speak with their advisor if they are interested in such investments.

Commonwealth receives fees for its services in administering CASP, as described below, and these fees create conflicts of interest because Commonwealth gains substantial financial benefits for a client's participation in CASP. Although the fees Commonwealth receives vary from Program Bank to Program Bank, each of BDSP and ARSP pools all fees Commonwealth receives associated with that program in an effort to treat clients equally, regardless of the individual bank in which clients' funds may be deposited. The fee amount received by Commonwealth, NFS, and the Program administrator reduce the interest rate paid to clients by the Program Bank. Because the fees paid to Commonwealth for CASP reduce the interest rate paid to clients on their cash balances, CASP presents a conflict of interest. The fee revenue generated by Commonwealth for one sweep vehicle will vary compared with revenues generated for other sweep vehicles or possible core account investment vehicles that we have used in the past or consider using in the future. CASPs are generally more profitable to Commonwealth than other money market sweep options available. Advisors do not directly receive any of the fees received by Commonwealth for CASP. Depending on interest rates and other market factors, the yields you receive on CASP are generally lower than the aggregate fees received by Commonwealth for your participation in the CASP. This can result in you experiencing a negative overall investment return with respect to cash reserves in CASP. In addition, Commonwealth financially benefits from the possession and temporary investment of cash balances prior to the deposit of such balances in a core account investment vehicle.

Cash balances in core account sweep investment vehicles are included in the value of account assets used to calculate the management fees and other asset-based fees we charge to clients' PPS program accounts. This means that Commonwealth and the advisor earn advisory fees, and Commonwealth also earns sweep compensation, on the same cash balances in a PPS program account. The advisory fee charged to a client's account reduces the interest rate paid to the client on their cash balances and other asset-based fees charged to your PPS advisory accounts.

The Program Banks use CASP deposits to fund current and new lending and for investment activities. The Program Banks earn net income from the difference between the interest they pay on CASP deposits and the fees paid to us, NFS and the Program administrator (collectively, "Program Fees"), and the income they earn on loans, investments, and other assets. Program Banks can pay rates of interest on CASP deposits that are lower than prevailing market interest rates that have been paid on accounts otherwise opened directly with the Program Bank. Program Banks do not have a duty to provide the highest rates available and may instead seek to pay a low rate. Lower rates will be more financially beneficial to a Program Bank. There is no necessary linkage between bank rates of interest and the highest rates available in the market, including any money market mutual fund rates. By comparison, a money market mutual fund generally seeks to achieve the highest rate of return (less fees and expenses) consistent with the money market mutual fund's investment objective, which can be found in the fund's prospectus.

**BDSP.** BDSP creates substantial financial benefits for Commonwealth because it receives a fee from each Program Bank in connection with the program (equal to a percentage of all participants' average daily deposits at the Program Banks). Fee amounts will vary but in no event will Commonwealth's fee be more than an amount equal to the Fed Funds Effective Rate (FFER) plus 25 basis points (bps) on an annual basis (trailing 12 months) across all Deposit Accounts in BDSP. At its discretion, Commonwealth raises or reduces its fees and varies the amount of the reductions between clients based on market conditions and/or other factors selected in its sole discretion. The interest paid to clients on deposits of BDSP are based on the client's program deposits and is determined by Commonwealth. This discretion in





setting the fee Commonwealth receives creates a conflict of interest for Commonwealth; the greater the fee Commonwealth receives, the lower the interest rate paid to clients; the lower the fee paid to Commonwealth, the higher the interest paid by the banks to clients. If the maximum fee increases, Commonwealth will notify clients in writing of such change. Clients may at any time use an alternative option to CASP – refer to the section below titled “Alternatives to core account investment vehicles”.

**ARSP.** Commonwealth receives fees in connection with maintaining and administering ARSP, and therefore, ARSP provides substantial financial benefits to Commonwealth. The account interest received by clients will be the net of the gross interest paid by the Program Banks, less the fees paid to the Program administrator, NFS, and Commonwealth. Commonwealth’s fees are based on a fixed formula and will vary based on factors such as the Federal Funds Effective Rate (“FFER”), total assets in advisory accounts participating in ARSP, and the number of accounts in ARSP. Commonwealth’s fee will be the sum of two fees: (i) a variable fee (“Variable Fee”), and (ii) a per-account fee (“Account Fee”).

- **Variable Fee.** The Variable Fee is calculated according to a formula that is based on a variable fee rate (“Variable Fee Rate”) applied to a fixed representation (4 percent) of cash balances (“Representative Amount”) of total assets in accounts participating in ARSP. The Variable Fee Rate is based on FFER. When FFER is 1 percent, the Variable Fee Rate is 95 basis points (0.95 percent). As FFER increases above 1 percent, the Variable Fee Rate is 95 basis points plus 30 percent of the change in the underlying market interest rate as measured by FFER. When FFER declines below 1 percent, the Variable Fee Rate is 95 basis points minus the percentage point difference between 1 percent and FFER. The minimum Variable Fee Rate applied is 15 basis points (0.15 percent). Commonwealth reserves the right to temporarily reduce or waive this minimum variable fee at any time. Fee amounts will vary, but in no event will the fee Commonwealth receives be more than an amount equal to FFER plus 25 basis points on an annual basis (trailing 12 months) across the Representative Amount. This maximum Variable Fee **is in addition to** the Account Fee. Commonwealth’s fees under ARSP are not affected by the actual amounts held in the Deposit Accounts but will vary with the FFER. The current FFER can be found at [and www.commonwealth.com/clients/deposit-sweep-program.aspx](http://www.commonwealth.com/clients/deposit-sweep-program.aspx).
- **Account Fee.** The Account Fee is \$1 per account each month and applied when the average monthly FFER from the prior month exceeds 1.10 percent.

**Ineligible accounts.** Certain Fidelity money market funds and, in limited instances, interest bearing cash sweeps serve as the core account investment vehicle for Keogh accounts, Section 457 plans, and accounts with a non-U.S. mailing address (“Ineligible Accounts”). As discussed above under “General Overview,” Commonwealth receives additional compensation from NFS based on the average fund balances held in most of these other Fidelity money market funds. For information about money market mutual funds, including interest rates and yield, all charges and expenses, investment objectives, and risks, refer to the fund’s prospectus. Read the prospectus carefully before you invest or send money.

**Alternatives to core account investment vehicles.** Commonwealth is not obligated to offer clients any core account investment options or to make available to clients CASP investments that offer a rate of return that is equal to or greater than other comparable investments. If clients do not want to participate in CASP, or for Ineligible Accounts the designated core investment vehicle, clients should provide their advisor direction to invest their funds in other investments available through us or remove cash balances from their account at regular intervals. Unlike using a core investment option, cash balances in PPS advisory accounts will not automatically sweep into these other investments. Therefore, any cash in an account will be held in a core investment option until instructions have been given to invest funds in other investments available through us.

### **Client Referrals and Directed Brokerage**

As also discussed elsewhere in this Brochure, Commonwealth is dually registered as an investment adviser and a broker/dealer. Commonwealth, in its broker/dealer capacity, introduces its client transactions to NFS and Pershing for execution, clearance, and settlement. In selecting or recommending



NFS and Pershing for execution, clearance, and settlement, Commonwealth does not consider whether it or a related person receives client referrals from the executing broker/dealer. NFS and Pershing provide custody and clearing of Commonwealth's client brokerage account assets, including PPS Program accounts. Substantially all of PPS Program clients must establish a securities brokerage account with Commonwealth and execute securities transactions for PPS Program accounts through NFS. Not all investment advisers require their clients to direct brokerage to a particular broker/dealer or to the investment adviser's affiliated broker/dealer.

As noted in Item 4. Advisory Business and Item 5. Fees and Compensation, Commonwealth's business relationship with NFS provides Commonwealth considerable economic benefits that it would not receive if it did not generally require PPS Program clients to use Commonwealth as broker/dealer and NFS for trade execution, clearance, and settlement. Commonwealth's business relationship with NFS provides that Commonwealth shall receive substantial monthly revenue-sharing payments from NFS based on client assets held by Commonwealth with NFS in non-Fidelity NTF funds that participate in Fidelity's NTF program, non-Fidelity TF funds that participate in Fidelity's TF program, and Fidelity Money Market Sweep portfolios. Although NTF funds do not assess transaction charges, most NTF funds have higher internal expenses than funds that do not participate in an NTF program. These higher internal fund expenses are assessed to investors who purchase or hold NTF funds.

Apart from its wrap fee programs, when Commonwealth effects securities transactions for a client's account, Commonwealth assesses certain transaction charges to offset the asset-based fees it pays to NFS and to generate additional revenue for Commonwealth.

In addition to the transaction charges described above, Commonwealth will charge a \$4 service (confirm) fee for all transactions except mutual fund exchanges, NTF funds, and periodic investment/systematic withdrawal transactions. If the client signs up for e-notification (e-delivery), the service fee will be waived. Commonwealth assesses service fees to offset the asset-based fees it pays to its clearing broker/dealer and to generate additional revenue for Commonwealth.

In some cases, broker/dealers are compensated for using their clearing firms' securities transaction and execution services. This industry practice is generally known as "payment for order flow." As a matter of policy, Commonwealth does not receive payment for order flow.

The investment advisory services provided by Commonwealth may cost the client more or less than purchasing similar services separately. Lower fees for comparable services may be available from other sources. Clients should consider whether the appointment of Commonwealth as the sole broker/dealer will result in certain costs or disadvantages to them as a result of possibly less favorable executions.

### Item 13: Review of Accounts

Commonwealth home office Compliance and Operations principals, senior members of Commonwealth's Advanced Planning team, and/or designated supervisors periodically review client accounts and financial plans to identify situations that may warrant either a more detailed review or a specific action on behalf of an advisory client.

Commonwealth uses a series of surveillance, exception, trade, and other transaction reports, and collectively obtains and analyzes the results of periodic data requests, to help facilitate the ongoing review of its managed accounts. In addition, advisors provide continual and regular investment advice or investment supervisory services to clients, routinely review client portfolios, and are responsible for contacting clients at least annually.



There are various reports, data analytics, and supervisory controls used by Commonwealth to review accounts. Following are some of the reports and data requests used to conduct these reviews:

Report	Review Frequency	Nature of Report
State Licensing Report	As transactions occur	Review of transactions to confirm proper state licensing
Conflict Trading	Daily	To identify potential violations of the Code of Ethics
Options Account Analysis	Quarterly	To identify accounts with a high volume of option trades
PPS Custom Activity Analysis	Quarterly	To conduct trading activity analysis on PPS accounts and advisors
PPS Out of Balance Analysis	Quarterly	To identify accounts out of balance from a client's stated objectives

## Item 14: Client Referrals and Other Compensation

### Other Compensation Received from Product Sponsors

Through our national network of advisors, Commonwealth offers access to a broad selection of securities products, including mutual funds, ETFs, UITs, variable insurance products, 529 college savings plans, direct participation programs, HSAs, DAFs, structured products, and nontraded alternative investments. Some companies that advise or distribute these products ("Sponsor Companies") participate in activities that are designed to help facilitate the distribution of their products. These companies often pay the travel, meals, and lodging expenses for advisors to attend educational programs and due diligence meetings designed to help advisors be more knowledgeable about those companies' products, operations, and management. These companies also often provide other forms of compensation to advisors relating to, but not contingent upon, the sale and distribution of their products, including merchandise, gifts, prizes, and entertainment, such as tickets to sporting events and leisure activities, as well as payment or reimbursement for the costs of business development expenses, client seminars, client appreciation events, software, and marketing materials designed to help promote the advisor's business.

The financial support, marketing support, participation in due diligence meetings and educational activities, and gifts and entertainment received by advisors that are paid by Sponsor Companies create a conflict of interest for advisors who receive this compensation because they incentivize advisors to focus more on or otherwise recommend or promote the products of those Sponsor Companies that provide this compensation to the advisor over those that do not. These activities are reviewed, and require approval, by Commonwealth.

In addition to the support Sponsor Companies provide directly to advisors, Commonwealth receives additional compensation from certain product sponsors, including open- and closed-end mutual fund, ETF, UIT, insurance, and private fund companies ("Core Partners"), in the form of annual payments, typically paid in quarterly installments, directly from these companies. This compensation is in addition to the customary commissions, 12b-1 fees, distribution fees, and other fees that are paid to Commonwealth by these Core Partners and constitutes a conflict of interest. Most compensation is a direct payment but in certain instances, indirect compensation is received in the form of reduced or waived transaction costs. The annual payments are made from the Core Partner's or an affiliate's own assets and not from investor assets. No portion of the annual payments made by Core Partners to Commonwealth is paid from brokerage commissions generated by the purchases of any specific investment.

In exchange for the annual payments it receives from its Core Partners, Commonwealth provides a variety of benefits to these companies. These benefits include, but are not limited to, direct access to Commonwealth's senior leadership, research, and product support staff; invitations to Commonwealth-sponsored meetings and events, which include direct access to advisors; ability to post product marketing and educational materials to Commonwealth's internal web portal used by advisors; access to Commonwealth's proprietary investment models, research, and analysis; and contact information for



advisors. The existence of these additional benefits provided by Commonwealth to Core Partners, in exchange for the annual payments these Core Partners provide to Commonwealth, creates a conflict of interest because Commonwealth or your advisor is more likely to recommend or promote the products of Core Partners that make such payments to Commonwealth over those product sponsors that do not. However, none of the annual payments received by Commonwealth from Core Partners are paid to or shared with any advisor who sells a Core Partner's products. Advisors do not receive a greater or lesser commission or advisory fee for sales of these sponsors' products for which Commonwealth receives annual payments.

Additional information describing the support and annual payments provided by Core Partners to Commonwealth is provided on the Revenue Sharing Disclosure, which is available on Commonwealth's website at [www.commonwealth.com/for-clients/disclosure/revenue-sharing](http://www.commonwealth.com/for-clients/disclosure/revenue-sharing).

### **Investment Adviser/Asset Management Programs**

Commonwealth and/or its advisors receive reimbursements, marketing and distribution allowances, business and client development, educational enhancement, due diligence fees, gifts and entertainment, and other compensation ("additional compensation") directly from third-party investment advisory program sponsors (collectively, "Program Sponsors") based on the amount of client deposits and/or client assets under management with the Program Sponsors. This additional compensation is provided to Commonwealth and/or the advisor as an incentive to promote the sale of the Program Sponsor's products or services.

In all cases, such reimbursements, marketing allowances, or other compensation will be paid to Commonwealth and/or the advisor from the Program Sponsor's own resources and not from client funds or assets. Program Sponsors may also opt to pay Commonwealth a quarterly fee based upon deposits or AUM and/or some combination thereof on an annual basis based upon certain allowable assets.

These payments to Commonwealth and/or its advisors present a conflict of interest because they provide a financial incentive for Commonwealth or its advisors to recommend clients use a particular Program Sponsor that provides this additional compensation over other programs that do not provide this additional compensation. Clients are urged to read and consider the contents of this Brochure carefully (and the Brochures of any other Program Sponsors, as applicable) and to inquire about Commonwealth and their advisor's various sources of compensation and conflicts of interest in making a fair and reasonable assessment of the fees and charges clients will pay for the services rendered by Commonwealth and their advisor. Further information about Commonwealth's and your advisor's sources of compensation and conflicts of interest is described in this Brochure.

### **Other Payments to Commonwealth Advisors**

In addition to receiving asset-based fees in their capacity as an investment adviser or Promoter, Commonwealth advisors receive reimbursements or marketing allowances for marketing expenses and business development costs incurred by the advisor. Some third-party asset managers provide advisors with model management consultative services that use the asset manager's funds. In addition, advisors receive invitations to conferences and meetings that are sponsored by third-party firms that offer managed account or advisory programs or services to the advisor. Portfolio strategists, investment managers, and product manufacturers typically contribute to the cost of the conferences and meetings, are identified as a sponsor of the conference or meeting, and often have the opportunity to promote their products, programs, and services directly to the advisor. Additionally, the advisor's travel-related costs and expenses, meals, and entertainment are usually paid for or subsidized by the firms. These benefits and indirect payments to advisors present a conflict of interest because they provide a financial incentive for advisors to recommend clients use a particular managed account program or advisory service that offers these payments and opportunities to the advisor over other managed account or advisory programs that do not offer such payments or opportunities to the advisor.

Commonwealth offers your advisor one or more forms of financial benefits based on your advisor's total assets under advisement held at Commonwealth or in PPS Program accounts and/or for transitioning from another firm to Commonwealth. The types of financial benefits that your advisor receives from



Commonwealth include, but may not be limited to, forgivable or unforgivable loans provided at below-market rates; debt or equity ownership investments in your advisor's business; increased payouts; and discounts or waivers on transaction, platform, and account fees, technology fees, research package fees, financial planning software fees, administrative fees, brokerage account fees, account transfer fees, licensing and insurance costs, and the cost of attending conferences and events. If your advisor is newly associated with Commonwealth, these benefits are commonly in the form of forgivable loans that are forgiven over a multiyear term subject to continued affiliation with Commonwealth and based on the amount of total assets they manage at Commonwealth or are held at NFS as of a milestone date. Some advisors who received a forgivable loan pre-May 2020 also have production targets that incentivize them to encourage more trading and the purchase of additional investments so the loan will be forgiven by Commonwealth. These financial benefits, which can be significant to an advisor, present a conflict of interest because they provide a financial incentive for your advisor to select or maintain a business relationship with Commonwealth as a broker/dealer, investment adviser, or service and support provider for your accounts over other firms that may not provide your advisor similar financial benefits. They also provide a financial incentive for your advisor to recommend that a client open and maintain accounts with Commonwealth and its clearing firm NFS, and/or use Commonwealth PPS programs over other programs available through Commonwealth.

Clients are urged to read and consider the contents of this Brochure carefully and to inquire about Commonwealth's or their advisor's various sources of compensation and conflicts of interest in making a fair and reasonable assessment of the fees and charges clients will pay for the services rendered by Commonwealth and their advisor. Further information about Commonwealth's and your advisor's sources of compensation and conflicts of interest is described in this Brochure.

### **Payments to Commonwealth**

Consistent with prudent product approval practices, Commonwealth conducts or causes to be conducted a due diligence analysis of Sponsor Companies prior to making them available to the public through its advisors. Commonwealth receives due diligence fees, distribution allowances, and other payments from its Sponsor Companies. This compensation is in addition to the compensation Commonwealth receives from its Core Partners discussed above. While the arrangements Commonwealth has with each Sponsor Company vary, certain Sponsor Companies pay it additional compensation for marketing expenses, distribution allowances, due diligence, or other compensation of either up to 70 basis points (0.7 percent) annually on deposits or assets held at the Sponsor Company, or up to 200 basis points (2 percent) on the gross amount of each sale, depending on the product. These additional payments are paid to and retained by Commonwealth, and none of these additional payments are paid to or shared with any advisor. Advisors do not receive a greater or lesser commission for sales of these products from which Commonwealth receives revenue-sharing payments. Even though these payments are not shared with advisors, the receipt of these payments from Sponsor Companies creates a conflict of interest for clients because Commonwealth may choose to make available to clients those Sponsor Companies that provide these payments over those Sponsor Companies that do not make such payments to Commonwealth.

As we note in this Brochure, Commonwealth uses NFS as its clearing and custody firm for substantially all of its PPS managed accounts. As also discussed in Item 5. Fees and Compensation and Item 12. Brokerage Practices, Commonwealth's clearing and business relationship with NFS in particular provides Commonwealth's broker/dealer with substantial economic benefits by using itself as the broker/dealer and NFS as the clearing firm for its PPS Program accounts rather than an unaffiliated broker/dealer or other clearing broker/dealer. For example, Commonwealth assesses transaction charges to offset the asset-based fees and other fees it pays to NFS and to generate additional revenue for Commonwealth. Additionally, Commonwealth receives continuous and considerable revenue-sharing payments from NFS that are derived from certain types of positions and assets in client accounts held at NFS. In particular, Commonwealth receives substantial monthly revenue-sharing payments from NFS in connection with the cash sweep program and based on client assets held by Commonwealth with NFS in Fidelity money market sweep funds, non-Fidelity NTF funds that participate in Fidelity's NTF program, and non-Fidelity TF funds that participate in Fidelity's TF program. In addition, NFS credits Commonwealth a substantial portion of margin interest income that NFS receives from margin account balances. Commonwealth also maintains a Core Account Sweep Program with NFS. This program creates substantial financial benefits





for Commonwealth as discussed in Item 12 of this Brochure. This additional compensation received by Commonwealth in its broker/dealer capacity creates a significant conflict of interest with its clients because Commonwealth has a substantial economic incentive to use NFS as its clearing firm for trade execution and custody over other firms that do not or would not revenue share with Commonwealth. Additionally, by using itself as the broker/dealer for its PPS Program accounts, Commonwealth may be unable to achieve the most favorable execution for client transactions, which may cost clients more money. Clients are urged to read and consider the contents of this Brochure carefully and to inquire about Commonwealth's and the advisor's various sources of compensation and conflicts of interest in making a fair and reasonable assessment of the fees and charges clients will pay for the services rendered by Commonwealth and their advisor.

Commonwealth's assessment of transaction charges for securities transactions in the PPS Custom (Transaction Fee) Program creates a conflict of interest because Commonwealth benefits from the additional revenue generated by the trading activities of its advisors and clients.

Additionally, NFS offers an NTF program composed of no-load mutual funds. Participating mutual fund sponsors pay a fee to NFS to participate in the NTF program, and a substantial portion of this fee is shared with Commonwealth. None of these additional payments are paid to advisors who sell NTF funds. NTF mutual funds may be purchased within an investment advisory account at no charge to the client. In addition, Fidelity-sponsored ETFs are available on a no transaction fee basis. Clients, however, should be aware that funds available through the NTF program often contain higher internal expenses than mutual funds that do not participate in the NTF program. Commonwealth's receipt of a substantial portion of the fees associated with the NTF program creates a conflict of interest because Commonwealth has an incentive to make available or to recommend the various NTF classes of mutual funds that provide this additional compensation to Commonwealth over other mutual fund share classes of the same fund that do not make such payments to NFS to share with Commonwealth.

Although NTF funds do not assess transaction charges, most NTF funds have higher internal expenses than funds that do not participate in an NTF program. These higher internal fund expenses are assessed to investors who purchase or hold NTF funds. A portion of these fees are paid to Commonwealth by NFS. Depending upon the frequency of trading and hold periods, NTF funds may cost you more, or may cost Commonwealth or your advisor less, than mutual funds that assess transaction charges but have lower internal expenses. In addition, the higher internal expenses charged to clients who hold NTF funds will adversely affect the long-term performance of their account when compared with share classes of the same fund that assess lower internal expenses.

For those Commonwealth advisory programs that assess transaction charges to clients or to Commonwealth or the advisor, a conflict of interest exists because Commonwealth and your advisor have a financial incentive to recommend or select NTF funds that don't assess transaction charges but cost you more in internal expenses than funds that assess transaction charges but cost less in internal expenses. In addition to reading this Brochure carefully, clients are urged to inquire whether lower-cost share classes are available and/or appropriate for their account in consideration of their expected investment holding periods, amounts invested, and anticipated trading frequency. Further information regarding fees and charges assessed by a mutual fund or ETF is available in the appropriate prospectus.

### **Core Account Sweep Programs**

The Core Account Sweep Programs are the core account investment vehicles used to hold your cash balances while awaiting reinvestment for eligible accounts. The Programs create conflicts of interest and substantial financial benefits for Commonwealth and NFS. Please see Item 12 of this Brochure for a detailed description of the compensation and associated conflicts that will apply to clients who participate in the Programs.

### **Nonpurpose Loan Program**

Commonwealth offers a nonpurpose loan ("NPL") program that enables clients to collateralize certain accounts to obtain secured loans through NFS or banking institutions that participate in the program, including Tri-State Bank and Goldman Sachs Bank (collectively, "Program Participant"). The NPL





program presents conflicts of interest. Commonwealth and advisors have an interest in continuing to receive investment advisory fees, which creates an incentive to recommend that clients maintain their assets at Commonwealth and use the NPL program to access funds rather than liquidate assets in the account. Because Commonwealth and advisors are compensated primarily through advisory fees paid on client accounts, there is an incentive to manage an account serving as collateral for a loan in a manner that will preserve sufficient collateral value to support the loan and avoid a bank call. In addition, Commonwealth is compensated by the program bank an amount ranging from 0 to 50 basis points of the interest paid to the Program Participant by the borrower. Interest is based on the amount of the outstanding loan. This compensation to Commonwealth varies; therefore, Commonwealth can earn more or less depending on the Program Participant selected by the client/borrower. This compensation is a conflict of interest because Commonwealth has a financial incentive for the client to select a Program Participant that pays Commonwealth more. Commonwealth does not share this compensation with its advisors; therefore, an advisor does not have a financial incentive if one Program Participant is selected over another. Clients are not required to use the Program Participants in the NPL program and can work directly with other banks to negotiate loan terms or obtain other financing arrangements.

### **Commonwealth as Promoter**

Commonwealth and your advisor may serve as Promoters for a variety of third-party investment advisers with respect to some or all of your assets. In such cases, Commonwealth and your advisor are compensated by these third-party investment advisers for referring your advisory business to them. This compensation generally takes the form of the third-party investment adviser sharing with Commonwealth and the advisor a percentage of the advisory fee the third-party investment adviser charges you. In some cases, these investment advisers will increase the advisory fee you would otherwise pay to the investment adviser if you engaged them directly. You will receive a Disclosure Statement that includes, among other things, a description of the compensation paid or to be paid to Commonwealth and your advisor as a Promoter. Commonwealth and your advisor, therefore, have a conflict of interest to refer clients to those third-party investment advisers who pay referral fees to Commonwealth or your advisor rather than those who don't. Additionally, Commonwealth and your advisor have a conflict of interest to refer clients to those third-party investment advisers who pay higher referral fees over those who pay lower referral fees. Commonwealth performs reasonable due diligence on these third-party investment advisers on an initial and ongoing basis.

In some cases, Commonwealth and/or your advisor receive training and educational support, marketing support, enhanced service, invitations to attend conferences or meetings, or some other economic benefit that is in addition to our receipt of the referral fee discussed above from a third-party investment adviser to whom we have referred your advisory business. This support or other economic benefit will be paid from the third-party investment adviser's own funds and not from client funds. Commonwealth and your advisor have a conflict of interest to favor referring your advisory business to those third-party investment advisers that provide such additional compensation over those investment advisers that do not provide such additional compensation.

### **Commonwealth's Use of Promoters**

Commonwealth has several programs where prospective clients are referred to Commonwealth: the Commonwealth Alliance Program ("CAP"), the Strategic Alliance Program ("SAP"), lead-generation programs, and bank networking arrangements.

CAP is a referral program designed to compensate outside professionals or firms, such as attorneys, accountants, or other broker/dealers and investment advisers, for referring your advisory business to Commonwealth and your advisor. These professionals or firms are known as Promoters. If your advisory account is referred by a Promoter to Commonwealth or your advisor, Commonwealth and your advisor will generally pay a portion of the ongoing advisory fee you pay us to the Promoter, typically for as long as you maintain an advisory relationship with us, to compensate the Promoter for the referral. Commonwealth will not charge a client who is referred to Commonwealth by a Promoter any amount for the cost of obtaining the client that is in addition to the fee normally charged by Commonwealth for its investment advisory services. The amount of compensation the Promoter receives, however, may be more than what the Promoter would receive if the client participated in our other programs or paid separately for



investment advice, brokerage, and other services. In addition, when advisors refer potential clients to the Promoter for professional services, the Promoter has an incentive to refer more clients to Commonwealth and its advisors. The Promoter, therefore, has a financial incentive to recommend one or more of Commonwealth's wrap fee programs over other programs or services, including nonadvisory programs and services, that may be available to a client for which the Promoter would not receive referral compensation or referrals from advisors.

In addition to CAP, Commonwealth permits the use of certain approved lead-generation programs. In these programs, the advisor pays fees to the lead generation program based on the agreement signed between the lead generation program provider and the advisor. Some advisors and staff members associated with the Firm refer clients to other advisors of Commonwealth. This program, known as SAP, operates under substantially similar requirements as CAP. Commonwealth also maintains networking arrangements with certain financial institutions (generally banks and credit unions) that refer clients to various advisors. In exchange for the referrals, those institutions receive a portion of the ongoing advisory fees charged by Commonwealth and the advisor.

All promotional arrangements are disclosed to clients at the time of the promotion via execution of a Disclosure Statement that outlines whether Promoter is a client of Commonwealth and the advisor, the compensation that will be paid to Promoter by Commonwealth and your advisor, a description of any material conflicts of interest on the part of Promoter, language that the promotion may not be representative of everyone's experience and to seek more information about other's feedback, and language that the promotion is not a guarantee of future results.

## Item 15: Custody

### **Custody Services**

Commonwealth maintains a primary clearing relationship for the execution of client transactions with NFS as the account custodian. Commonwealth maintains a secondary clearing relationship for the execution of client transactions with Pershing as the account custodians. In some cases, Commonwealth will approve the use of other account custodians for its PPS accounts and at its discretion, will assess an additional administrative fee to the advisor that may result in a higher management fee to the client. Substantially all of PPS advisory clients must select Commonwealth as the broker/dealer of record and NFS as the clearing firm for their PPS managed accounts. The name and address of the account custodian used for the account will be identified in the respective PPS managed account client agreement.

Clients who establish a managed account with Commonwealth as the broker/dealer of record will receive custodial account statements directly from the respective custodian that holds those assets, such as NFS, Pershing, or a direct product sponsor. Clients are urged to carefully review the statements they receive from the account custodian, and, if applicable, from Commonwealth or their advisor, and should promptly report material discrepancies to Commonwealth directly at 800.237.0081.

### **Performance Reporting**

Clients may also receive portfolio summary or performance reporting for their Commonwealth managed accounts from Commonwealth or their advisor that are in addition to the account statements clients receive directly from the respective account custodian. Commonwealth urges you to compare the account statements you receive from your account custodian with any account summary statements or reports you receive from us or your advisor. If you believe there are material discrepancies between your custodial statement and the summary statements or reports you receive from Commonwealth or your advisor, please call Commonwealth directly at 800.237.0081.



## Item 16: Investment Discretion

### **General**

Commonwealth renders investment advice to the vast majority of its managed account clients on a discretionary basis, pursuant to written authorization granted by the client to Commonwealth and/or your advisor in a Commonwealth client agreement. This authorization grants the advisor and/or Commonwealth discretionary authority to determine appropriate account investments based on the client's financial circumstances, investment objectives, risk tolerance, prevailing market conditions, and other factors, and to receive product prospectuses on the client's behalf as the client's agent. An account may be assigned to one or more advisors, and clients are notified if there is a new advisor assigned to service the account.

This authorization grants to Commonwealth and your advisor the discretion to buy, sell, exchange, convert, or otherwise trade in securities and/or insurance products that are approved by Commonwealth, and to execute orders for such securities and/or insurance products with or through any distributor, issuer, or broker/dealer as Commonwealth or your advisor may select. Your advisor may determine which products to purchase or sell for your managed account, as well as when to purchase or sell such products, and the prices to be paid. Neither Commonwealth nor your advisor is granted authority to take possession of your assets or direct the delivery of your assets to anywhere other than your address of record without your written consent.

Under the Retirement Plan Consulting Program, Commonwealth may serve as a discretionary investment manager, as defined in section 3(38) of ERISA, pursuant to written authorization granted by the client to Commonwealth or your advisor in a Retirement Plan Consulting Agreement. Neither Commonwealth nor your advisor is granted any authority to take custody or possession of any plan assets.

### **Level of Authority**

Clients may request reasonable restrictions on their managed account, including, but not limited to, the type, nature, or specific names of securities to be bought, sold, or held in the account, as well as the type, nature, or specific names of securities that may not be bought, sold, or held in the account. Clients generally grant Commonwealth and their advisor discretionary trading authority over their PPS Program accounts. If not specifically requested otherwise by the client, discretionary authority will be established at the time the account is first opened. The PPS Custom Program does, however, permit the client to choose to have Commonwealth and the advisor provide investment advice and recommendations to the client on a nondiscretionary basis. Clients who wish to receive advice with respect to their PPS Custom account on a nondiscretionary basis must execute an amendment to the PPS Custom Client Agreement to modify the agreement to be nondiscretionary. Clients should request a copy of the nondiscretionary amendment form from their advisor if they want to exercise this option.

### **Miscellaneous Authority**

As a matter of firm policy, neither Commonwealth nor its advisors have or will accept the authority to file class action claims on behalf of clients. This policy reflects Commonwealth's recognition that it does not have the requisite expertise to advise clients about participating in class actions. Commonwealth and its advisors have no obligation to determine if securities held by the client are subject to a pending or resolved class action settlement or verdict. Commonwealth and its advisors also have no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, Commonwealth and its advisors have no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured because of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients. The decision to participate in a class action or to sign a release of claims when submitting a proof of claim may involve the exercise of legal judgment, which is beyond the scope of services provided to clients by Commonwealth or your advisor. In all cases, clients retain the responsibility for evaluating whether it is prudent to join a class action or to opt out.



## Item 17: Voting Client Securities

### **General Policy**

As a matter of firm policy, and in accordance with this Brochure and our advisory client agreements, neither Commonwealth nor its advisors have or will accept the authority to vote proxies on behalf of advisory clients or ERISA clients in any situation where Commonwealth or the adviser acts as investment adviser to the client. Commonwealth or its advisors may, but are not obligated to, provide advice to clients regarding the clients' voting of proxies. In all cases, clients must either retain the responsibility for receiving and voting proxies for any and all securities maintained in their managed accounts, or they must appoint a third-party investment adviser or other person who is not associated with Commonwealth to vote proxies for the accounts.

In the event the advisor chooses to provide advice to clients designed to assist them in deciding how to vote their proxies, the advisor has a fiduciary duty to disclose to the client any material conflicts of interest the advisor may have with respect to such advice. In all cases, Commonwealth or the advisor will send, or will cause to be sent, all such proxy and legal proceedings information and documents it receives to the client or a third party authorized and directed by the client to receive such information and documents on the client's behalf, so that the client or a third-party appointed by the client may take whatever action the client deems advisable under the circumstances.

### **PPS Direct and TPAM Programs**

In situations when the client uses a PPS Direct or unaffiliated TPAM Program to manage their portfolio, where permissible, the client may grant the program's designated third-party asset manager discretion to vote proxies with respect to any securities purchased or held in the account; to execute waivers, consents, and other instruments with respect to such securities; and to consent to any plan of reorganization, merger, combination, consolidations, liquidation, or similar plan with reference to such securities.

In such cases, all proxy and legal proceedings information and documents received by Commonwealth or the advisor relating to the securities within PPS Direct or TPAM Program accounts must be forwarded to the designated asset manager as the client's agent and attorney-in-fact with respect to proxy voting.

If the client has not appointed a third-party asset manager as the client's agent and attorney-in-fact with respect to proxy voting, such proxies must be provided directly to the client, who shall have the exclusive responsibility to take whatever action the client deems appropriate.

## Item 18: Financial Information

Some advisors who provide Wealth Management Consulting or Retirement Plan Consulting services to clients may require prepayment of more than \$1,200 in fees six (6) months or more in advance. Commonwealth also maintains custody of certain client assets and in certain instances, as defined in SEC Rule 206(4)-2. Additionally, pursuant to the trading authorization granted by Commonwealth managed account clients to Commonwealth and their advisor, Commonwealth has discretionary trading authority over the funds and securities of clients.

Commonwealth neither has a financial commitment that would impair its ability to meet its contractual and fiduciary commitments to clients, nor has Commonwealth been the subject of a bankruptcy proceeding.



# Commonwealth Financial Network®

## Statements of Financial Condition December 31, 2023, and 2022

Assets	2023	2022
Cash and cash equivalents	\$99,877,288	\$31,113,852
Receivables:		
Brokers and clearing organizations	\$60,446,616	\$59,862,228
Employees and registered representatives, net	\$127,186,070	\$103,986,155
Other	\$6,601,447	\$7,666,065
Securities owned, at fair value	\$55,271,375	\$47,394,539
Property and equipment, net	\$7,940,942	\$4,152,171
Right of use leases, net	\$10,643,315	\$13,711,608
Other assets	\$32,849,510	\$24,903,981
Deposits with clearing organizations	\$50,000	\$50,000
<b>Total Assets</b>	<b>\$400,866,563</b>	<b>\$292,840,599</b>
Liabilities and Members' Equity		
Accrued liabilities	\$38,532,528	\$26,823,960
Accrued deferred compensation	\$4,861,614	\$2,464,441
Payables:		
Brokers and clearing organizations	\$23,666,721	\$19,642,253
Trade and reimbursements	\$11,041,058	\$12,202,515
Subordinated borrowings—related parties	\$200,155,000	\$180,155,000
Lease liabilities	\$11,224,139	\$14,213,495
Other liabilities	\$5,666,946	\$1,516,777
<b>Total Liabilities</b>	<b>\$295,148,006</b>	<b>\$257,018,441</b>
Members' Equity		
Members' Units—100 issued and outstanding	\$105,718,557	\$35,822,158
<b>Total Members' Equity</b>	<b>\$105,718,557</b>	<b>\$35,822,158</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$400,866,563</b>	<b>\$292,840,599</b>



April 2, 2024

## Form ADV Part 2A—Appendix 1: The Wrap Fee Program Brochure Commonwealth Financial Network®

29 Sawyer Road  
Waltham, MA 02453-3483  
Toll-Free: 800.237.0081  
Phone: 781.736.0700  
[www.commonwealth.com](http://www.commonwealth.com)

**This Wrap Fee Program Brochure provides information about the qualifications and business practices of Commonwealth Financial Network® (“Commonwealth”). If you have any questions about the contents of this Brochure, please call 800.237.0081 or email [FormADVPart2@commonwealth.com](mailto:FormADVPart2@commonwealth.com). The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or any state securities authority.**

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

**Commonwealth is a Registered Investment Adviser. This registration does not imply any level of skill or training.**





## Item 2: Material Changes

The following is a summary of the material changes made to this Brochure since the annual update on March 30, 2023:

- Commonwealth updated Item 6: Portfolio Manager Selection and Evaluation to account for model strategy name and description updates in the PPS Select program.
- Commonwealth updated Item 9: Disciplinary Information to add that, on April 7, 2023, in *Securities and Exchange Commission vs. Commonwealth Equity Securities, LLC*, Commonwealth was found by the U.S. District Court District of Massachusetts to have violated Section 206(2) of the Advisers Act because it was negligent in its failure to fully disclose conflicts of interest from revenue sharing it received with respect to certain mutual fund share classes during the time period of 2014 to 2018. The court also found that Commonwealth violated Section 206(4) and Rule 206(4)-7 in failing to adopt and implement written policies and procedures to disclose the revenue sharing compensation. On March 29, 2024, the court ordered Commonwealth to pay \$65,588,906 in disgorgement, \$21,185,162 in interest, and a fine of \$6,500,000.

You may request a copy of our current Brochure at any time, without charge, by contacting your advisor, emailing [FormADVPart2@commonwealth.com](mailto:FormADVPart2@commonwealth.com), visiting us at <https://www.commonwealth.com/for-clients>, or by calling 800.251.0080, option 3.

Additional information about Commonwealth is available via the SEC's Investment Adviser Public Disclosure website at [adviserinfo.sec.gov](https://adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with Commonwealth who are registered, or required to be registered, as Investment Adviser Representatives of Commonwealth.



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## Item 4: Services, Fees, and Compensation

### **PPS Direct SMA/UMA and Strategist Program Services, Fees, and Compensation**

The PPS Direct SMA/UMA and Strategist Program provides clients access to an investment platform that facilitates ownership of individual securities managed at the discretion of one or more money managers (“Money Managers”). Certain services in the PPS Direct SMA/UMA and Strategist Program are provided by Envestnet Asset Management, Inc. (“Envestnet”). Envestnet is a Registered Investment Adviser and has been chosen by Commonwealth to provide access to a wide range of Money Managers within the Separately Managed Account Program (“SMA Program”), the Unified Managed Account Program (“UMA Program”), and the Third-Party Fund Strategist program (“Strategist Program”).

Additionally, Envestnet acts as the “overlay manager” in the UMA Program, which means that Envestnet may, at its discretion, place trades within client accounts based on the trading instructions provided by the selected Money Managers. Clients who participate in the PPS Direct SMA/UMA and Strategist Program are required to grant full discretionary authorization to Commonwealth and Envestnet to hire and fire portfolio managers and to invest, reinvest, sell, exchange, and otherwise deal with client assets at their discretion, including, without limitation, the authority to select, allocate, and reallocate the client assets in the client’s accounts to different Money Managers and to delegate discretion to the respective Money Managers. For the SMA and UMA programs, Commonwealth and Envestnet generally will only use this discretionary authorization to:

- Replace investment vehicles, including Money Managers, when they determine such a change is necessary
- Rebalance a client’s account in accordance with the investment strategy chosen by the client
- Liquidate sufficient assets to pay the program and advisor fee, as well as other fees and charges associated with the account, when necessary

The SMA Program enables Commonwealth, as sponsor of the program, to leverage Envestnet’s established relationships with Money Managers and to make the services of Money Managers available to clients. Envestnet provides SMA Program clients with the ability to access the money management services of one or more Money Managers, either directly using a separately managed account for each Money Manager or indirectly using a single managed account traded by Envestnet based on the instructions of the relevant Money Manager. The advisor will help their clients select one or more Money Managers and investment strategies for use within the SMA Program. If the client chooses to use the SMA Program, the client will establish a separate brokerage account for each Money Manager or strategy selected.

A portfolio tailored for an SMA Program account may consist of any combination of the following types of securities that are managed by one or more Money Managers, as chosen by the client:

- Individual equity and fixed income securities
- Mutual funds
- Exchange-traded funds (“ETFs”)

The Strategist Program enables Commonwealth to leverage Envestnet’s established relationships with various third-party Money Managers who provide asset allocation portfolios for investments in mutual funds and ETFs. Envestnet will manage the asset allocation portfolio on a discretionary basis based on the investment recommendations of the Money Manager(s) selected by the client. If the client chooses to use the Strategist Program, the client will establish a separate brokerage account for each strategist or strategy selected. For each Money Manager, Envestnet provides overlay management of the portfolios, whereby Envestnet performs model management, administrative, and/or trading implementation duties pursuant to the direction of the Money Manager.



A portfolio tailored for a Strategist Program account may consist of any combination of the following types of securities that are managed by one or more Money Managers, as chosen by the client:

- ETFs
- Mutual funds

The UMA Program enables the advisor to construct a single portfolio by selecting specific, underlying investment vehicles within asset allocation models defined by Commonwealth. The UMA Program offers clients an asset management account in which advisors, in their capacity as Investment Adviser Representatives of Commonwealth, are responsible for selecting the specific, underlying investment vehicles in the appropriate model to meet their client's needs. Commonwealth's Investment Management and Research team determines the target asset mix, and Envestnet provides overlay management with respect to the account.

The UMA Program may be used by clients in combination with the SMA Program described above. If the client selects the UMA Program, the client will establish one brokerage account in which multiple Money Managers or strategies will be implemented.

A portfolio tailored for a UMA Program account may consist of any combination of the following types of securities that are managed by one or more Money Managers, as chosen by the client:

- Individual equity and fixed income securities
- Mutual funds
- ETFs

The PPS Direct SMA/UMA and Strategist Program are offered to interested clients by advisors. Through consultation with the client, the advisor will obtain necessary financial data from the client to assist in determining the appropriateness of the account, and to help the client select one or more Money Managers or investment strategies based on the client's stated goals and objectives. The client will have the opportunity to meet with their advisor periodically to review the assets in the account. At any time, subject to Envestnet's, the Money Manager's, or Commonwealth's judgment, specific investments will periodically be reallocated within the client's account to reestablish the targeted percentages of the assets and the appropriate investment strategy. This reallocation could be based on market conditions, specific client circumstances, or other factors that suggest reallocation may be appropriate. The client will be responsible for all tax consequences resulting from any account rebalancing or reallocation initiated by the client, Envestnet, Commonwealth, or a Money Manager.

Clients participating in the PPS Direct SMA/UMA and Strategist Program will pay an annual fee that consists of a combination of an advisor fee and a program fee. In the event the combination of the advisor fee and the program fee for a particular Money Manager and investment strategy exceeds 3 percent the advisor fee will be reduced such that the annual fee will not exceed 3 percent. The program fee comprises a platform fee, a sponsor fee, a Money Manager fee, and custody and clearing charges and will vary based upon the selected Money Manager and investment strategy. Commonwealth retains the sponsor fee portion of the program fee with respect to SMA and UMA Program accounts. Commonwealth retains a portion of the program fee with respect to Strategist Program accounts, a portion of which Commonwealth uses to offset custody and clearing costs. The advisor fee is negotiated between the client and the advisor, a portion of which is retained by Commonwealth.



The maximum allowable annual advisor fee in the PPS Direct SMA/UMA and Strategist Program is as follows:

Account Value	Maximum Advisor Fee
Up to \$250,000	2.21%
Next \$250,000–\$499,999	2.25%
Next \$500,000–\$999,999	2.27%
Next \$1,000,000–\$1,999,999	2.29%
Next \$2,000,000–\$4,999,999	2.31%
Next \$5,000,000 or more	2.33%

The maximum annual program fee in the PPS Direct SMA/UMA and Strategist Program is as follows:

Account Value	Maximum Program Fee
Up to \$250,000	1.14%
Next \$250,000–\$499,999	1.04%
Next \$500,000–\$999,999	1.00%
Next \$1,000,000–\$1,999,999	0.99%
Next \$2,000,000–\$4,999,999	0.96%
Next \$5,000,000–\$9,999,999	0.92%
Next \$10,000,000–\$19,999,999	0.865%
Next \$20,000,000 or more	0.835%

Money Manager strategies that hold numerous positions have historically experienced high portfolio turnover or frequent rebalancing and may carry higher custody and clearing costs. The total annual account fee will be calculated by applying the annual fee schedule for the pertinent category of program assets, as stated in the Statement of Investment Selection portion of the Envestnet Program Terms and Conditions and is payable in advance and computed as one-quarter of the total annual account fee based on the balance of the account on the last business day of the previous calendar quarter. For accounts in this program, Envestnet is responsible for the calculation and assessment of the total annual account fee. The initial quarterly fee will be prorated as more fully described in the Terms and Conditions between the client, Envestnet, and Commonwealth. Other methods of fee calculation may be possible, depending on the client's circumstances and on the account size.

In the event a Money Manager ("Manager") through the PPS Direct SMA/UMA Program elects to use other brokers/dealers to effect a transaction in a security (commonly referred to as "stepping out" a trade), brokerage commissions and other charges for such transactions are generally charged to the client by the executing broker or dealer, whereas the wrap fee assessed by Commonwealth covers the cost of brokerage commissions on transactions effected through Commonwealth. Clients in the PPS Direct SMA/UMA Program should be aware that, in cases where a Manager engages in step-out trades, the executing broker or dealer may assess a commission or other charge for having executed the transaction, which will be in addition to the wrap fee assessed by Commonwealth. In such cases, the net purchase or sale price reflected on trade confirmations and brokerage statements on such trades will include the cost of brokerage commissions or dealer markups or markdowns charged by the executing broker and paid for by the client. Due to the additional costs incurred by clients when Managers engage in step-out trades, the Managers who elect to engage in step-out trades will generally cost clients more than those Managers who do not engage in step-out trades. Some Managers have historically directed most, if not all, of their program trades to outside broker/dealers.

In the selection of brokers/dealers to effect transactions, the Manager must, as part of their best-execution obligations, consider all relevant factors, including, but not necessarily limited to, the value of research services, speed and efficiency, execution capability, confidentiality, commission rates, and responsiveness of the executing broker/dealer. The Manager may select brokers/dealers that provide the Manager research or other transaction-related services and may cause the client to pay such broker's or



dealer's commissions or other transaction-related fees in excess of those that other brokers/dealers may have charged, including Commonwealth. Such research and other services may be used for the benefit of the Manager's accounts as and where permitted by rule or regulation. Managers that specialize in fixed income, international, small-cap, or ETP disciplines may be more likely to trade away due to market conditions, liquidity, exchange availability, or other factors they consider relevant.

Clients should understand that Commonwealth does not evaluate whether a Manager is meeting their best-execution obligations to clients when trading away, as it is not a party to such transactions and is not in a position to negotiate the price or transaction-related charge(s) between the Manager and the executing broker/dealer.

Clients participating in the PPS Direct SMA/UMA Program should review the Manager's Form ADV Disclosure Brochure carefully prior to deciding to do business with any particular Manager. Among other things, the Manager's Brochure must disclose the Manager's conflicts and various sources of compensation, as well as those costs incurred by clients that may result from engaging in step-out trades, among other things. Clients should also discuss the use or intended use of any particular Manager with their advisor, including the Manager's trading practices and the costs that may be borne by the client should they choose to participate in the PPS Direct SMA/UMA Program.

### **PPS Direct Model Strategies Program Services, Fees, and Compensation**

**PPS Direct Russell Model Strategies Program.** Commonwealth has an arrangement with Russell Funds Distributors, Inc. ("Russell"), a registered broker/dealer and the principal underwriter for the Russell Investment Company, an open-end registered investment company. Commonwealth makes the Russell Model Strategies Program available to clients through a series of model strategies ("Model Strategies") provided to Commonwealth by Russell that include varying percentages of equity and debt no-transaction-fee ("NTF") and institutional no-transaction-fee ("iNTF") funds with degrees of risk and potential return. Hereinafter, unless otherwise noted, NTF and iNTF mutual funds shall be referred to as NTF, NTF funds, or the NTF program. Russell will monitor and make changes to the Model Strategies based on its individual investment analysis and asset allocation discipline and will communicate any changes in strategies to Commonwealth. Commonwealth will then manage the funds within the Model Strategies using one of five different Russell asset allocation strategies: Conservative, Moderate, Balanced, Growth, and Aggressive.

Based on the information provided to the advisor by the client, the advisor will assist the client in determining the appropriateness of the Russell Program and the available Model Strategies in establishing an asset allocation program for the client. The advisor will explain the Russell Program and Model Strategies that are available to the client, as well as explain the rebalancing and reallocation guidelines used in the management of the Model Strategies. After that, Commonwealth will direct the allocation and rebalancing of the client's PPS Direct Russell Model Strategies Program account and chosen Model Strategies in line with the asset allocation policies and strategies provided to Commonwealth by Russell.

**PPS Direct American Funds Model Portfolios Program.** Commonwealth has an arrangement with American Funds. Commonwealth makes the PPS Direct American Funds Model Portfolios Program available to clients through a series of model strategies ("Model Strategies") provided to Commonwealth by American Funds. These Model Strategies include a variety of structured, long-term, globally diversified portfolios constructed primarily of mutual funds with varying degrees of risk and potential return. American Funds will monitor and make changes to the Model Strategies based on its individual investment analysis and asset allocation discipline and will communicate any changes in strategies to Commonwealth. Commonwealth will then manage the funds within the Model Strategies as selected by the client.

Based on the information provided to the advisor by the client, the advisor will assist the client in determining the appropriateness of the PPS Direct American Funds Model Portfolios Program and the available Model Strategies in establishing an asset allocation program for the client. The advisor will explain the PPS Direct American Funds Model Portfolios Program and Model Strategies that are available to the client, as well as





explain the rebalancing and reallocation guidelines used in the management of the Model Strategies. After that, Commonwealth will direct the allocation and rebalancing of the client's PPS Direct American Funds Model Portfolios Program account and chosen Model Strategies in line with the asset allocation policies and strategies provided to Commonwealth by American Funds.

**PPS Direct BlackRock ETF Managed Portfolio Series Program.** Commonwealth has an arrangement with BlackRock Investment Management, LLC. Commonwealth makes the PPS Direct BlackRock ETF Managed Portfolio Series Program available to clients through a series of model strategies ("Model Strategies") provided to Commonwealth by BlackRock. These Model Strategies include a variety of structured, long-term, globally diversified portfolios constructed primarily of ETFs with varying degrees of risk and potential return. BlackRock will monitor and make changes to the Model Strategies based on its individual investment analysis and asset allocation discipline and will communicate any changes in strategies to Commonwealth. Commonwealth will then manage the funds within the Model Strategies as selected by the client.

Based on the information provided to the advisor by the client, the advisor will assist the client in determining the appropriateness of the PPS Direct BlackRock ETF Managed Portfolio Series Program and the available Model Strategies in establishing an asset allocation program for the client. The advisor will explain the PPS Direct BlackRock ETF Managed Portfolio Series Program and Model Strategies that are available to the client, as well as explain the rebalancing and reallocation guidelines used in the management of the Model Strategies. After that, Commonwealth will direct the allocation and rebalancing of the client's PPS Direct BlackRock ETF Managed Portfolio Series Program account and chosen Model Strategies in line with the asset allocation policies and strategies provided to Commonwealth by BlackRock.

Clients participating in the PPS Direct Model Strategies Programs will pay an annual fee that consists of a combination of an advisor fee and a program fee. The program fee is retained by Commonwealth, a portion of which Commonwealth uses to offset custody and clearing costs. The advisor fee is negotiated between the client and the advisor, a portion of which is retained by Commonwealth.

The maximum allowable annual advisor fee in the PPS Direct Model Strategies Programs is as follows:

Account Value	Maximum Advisor Fee
Up to \$499,999	2.00%
\$500,000–\$999,999	1.75%
\$1,000,000–\$4,999,999	1.50%
\$5,000,000 or more	1.25%

The maximum annual program fee in the PPS Direct Model Strategies Programs is as follows:

Account Value	Maximum Program Fee <sup>1</sup>
First \$250,000	0.25%
Next \$250,000	0.20%
Next \$500,000	0.15%
Next \$1,000,000 or more	0.10%

<sup>1</sup> The maximum annual program fee and other costs may apply upon termination. Commonwealth reserves the right to charge the minimum annual program fee of \$35 (minimum quarterly fee of \$8.75), which may exceed the maximum annual program fee by percentage described above based on the size of the account.

### PPS Select Program Services, Fees, and Compensation

The PPS Select Program offers clients a managed account employing specific asset allocation models developed and managed by Commonwealth's Investment Management and Research team as a portfolio manager. The account will be made up of a mix of asset classes, with weightings based on risk profile, investment objective, individual client preferences, and availability. Clients have the opportunity to periodically meet with their advisor to review their account. The account may be rebalanced at any time



pursuant to the discretionary trading authority clients grant to Commonwealth to help ensure that the account remains within reasonable deviation parameters of the specific PPS Select asset allocation model selected by the client.

Advisors will collect financial data from clients, help clients determine the appropriateness of the account, and help clients identify the appropriate investment objectives and strategies to be used. Each PPS Select account will have an appropriate percentage mix of asset classes allocated to the account, composed of domestic and/or international fixed income, equity mutual fund shares, ETFs, and/or variable annuity subaccounts.

Most often, several asset classes with varying degrees of risk will be used in a client's portfolio, depending on the client's risk profile, investment objectives, individual client preferences, and availability. Commonwealth will have complete and unlimited discretionary trading authority to purchase and sell securities in the account, and to liquidate previously purchased securities that may be transferred into the account, in accordance with the investment objectives and model allocations chosen by the client.

**Information about PPS Select DFA Program services.** The PPS Select DFA Program offers clients a managed account employing specific asset allocation models composed of mutual funds from Dimensional Fund Advisors (the "DFA Funds"). The asset allocation models are developed and managed by Commonwealth's Investment Management and Research team as portfolio manager. Commonwealth makes the PPS Select DFA Program available to clients through a series of model strategies ("Model Strategies") composed of the DFA Funds that include a varying percentage of equity and debt securities with varying degrees of risk and potential return. Clients will have the opportunity to periodically meet with their advisor to review their account. The account may be rebalanced at any time pursuant to the discretionary trading authority clients grant to Commonwealth to help ensure that the PPS Select account remains within reasonable deviation parameters of the specific asset allocation model selected by the client.

Advisors collect financial data from clients, help clients determine the appropriateness of the account, and help clients identify the investment objectives and strategies to be used. Each PPS Select DFA account will have an appropriate percentage mix of asset classes allocated to the account, composed of equity and debt DFA Funds. Most often, several asset classes with varying degrees of risk will be used in a client's portfolio, depending on the client's risk profile, investment objective, individual client preferences, and availability.

Commonwealth will have complete and unlimited discretionary trading authority to purchase and sell DFA Funds, and to liquidate previously purchased securities that may be transferred into a PPS Select DFA account, in accordance with the investment objectives and model allocations chosen by the client.

**PPS Select Program fees.** Clients participating in the PPS Select Program will pay a total account fee that consists of a combination of an advisor fee and a program fee. Commonwealth and the advisor will share in the advisor fee. Commonwealth retains the program fee to compensate Commonwealth as portfolio manager and offset custodial and clearing costs.

The maximum allowable advisor fee in the PPS Select Program is as follows:

Account Value	Maximum Advisor Fee <sup>1</sup>
Up to \$499,999	2.00%
\$500,000–\$999,999	1.75%
\$1,000,000–\$4,999,999	1.50%
\$5,000,000 or more	1.25%

The maximum program fee in the PPS Select Program is as follows:

Account Value	Maximum Program Fee <sup>2</sup>
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First \$250,000	0.25%
Next \$250,000	0.20%
Next \$500,000	0.15%
Next \$1,000,000 or more	0.10%

<sup>1</sup> The annual advisor fee for certain account sizes and types is negotiable.

<sup>2</sup> The minimum annual program fee is \$35 (\$8.75 quarterly), which may exceed the maximum annual program fee percentage based on account size.

For clients with multiple PPS Select accounts that are identical in registration and title, Commonwealth will aggregate the values of those accounts so they may benefit from a lower PPS Select annual program fee calculation for those identically titled accounts than if the annual program fees were calculated on a per-account basis.

### **PPS Select Fixed Income and Equity SMA Program Services, Fees, and Compensation**

**PPS Select Fixed Income SMA Program.** This Program offers clients a managed account employing specific fixed income asset allocation models developed and managed by Commonwealth's Investment Management and Research team as portfolio manager. The account will be made up of investment-grade, nationally issued bond securities based on the client's risk profile, investment objective, and individual preferences, as well as availability. Clients have the opportunity to periodically meet with their advisor to review their account. The account may be rebalanced pursuant to the discretionary trading authority clients grant to Commonwealth at any time to help ensure that the PPS Select account remains within reasonable deviation parameters of the specific asset allocation model selected by the client.

Advisors will collect financial data from clients, help clients determine the appropriateness of the account, and help clients identify the investment objectives and strategies to be used. Each PPS Select Fixed Income SMA account will be invested in investment-grade, nationally issued bonds and will focus on the short or intermediate part of the yield curve, as selected by the client. Investments will be selected on a relative value basis and opportunities created by movements in the yield curve. With movements in interest rates, this portfolio may exhibit volatility.

Commonwealth will have complete and unlimited discretionary trading authority to purchase and sell investment-grade, nationally issued bonds and to liquidate previously purchased securities that may be transferred into the client's PPS Select account, in accordance with the investment objectives and model allocations chosen by the client.

**PPS Select Equity SMA Program.** This Program offers clients a managed account employing specific equity allocation models developed and managed by Commonwealth's Investment Management and Research team as portfolio manager. The account will consist primarily of equities that seek to provide current and future dividend growth, as well as long-term capital appreciation. Clients will have the opportunity to periodically meet with their advisor to review their account. The account may be rebalanced pursuant to the discretionary trading authority clients grant to Commonwealth to help ensure that the PPS Select account remains within reasonable deviation parameters of the specific asset allocation model selected by the client.

Advisors will collect financial data from clients, help clients determine the appropriateness of the account, and help clients identify the investment objectives and model strategies to be used. The portfolio will invest primarily in the stock of large-capitalization domestic companies with a history of paying dividends or that possess reasonable prospects for future dividend growth. Companies will be selected based on their relative value, current dividend yield, prospects for dividend growth, balance sheet strength, and potential for cash flow generation. Past and current performance is no guarantee of future results.

Commonwealth will have complete and unlimited discretionary trading authority to purchase and sell all securities and to liquidate previously purchased securities that may be transferred into the client's PPS Select account, in accordance with the investment objectives and model allocations chosen by the client.



**PPS Select Fixed Income and Equity SMA Program fees.** Clients participating in the PPS Select Fixed Income and Equity SMA Programs will pay a total account fee that consists of a combination of an advisor fee and a program fee. Commonwealth and the advisor will share in the advisor fee. Commonwealth retains the program fee to compensate Commonwealth as portfolio manager and offset custody and clearing costs.

The maximum allowable advisor fee in the PPS Select Fixed Income and Equity SMA Programs is as follows:

Account Value	Maximum Advisor Fee <sup>1</sup>
Up to \$499,999	2.00%
\$500,000–\$999,999	1.75%
\$1,000,000–\$4,999,999	1.50%
\$5,000,000 or more	1.25%

The maximum program fee in the PPS Select Fixed Income SMA Program is as follows:

Account Value	Maximum Program Fee <sup>2</sup>
First \$500,000	0.40%
Next \$500,000	0.35%
Next \$1,000,000	0.30%
Next \$3,000,000	0.25%
Next \$5,000,000	0.20%
Next \$10,000,000	0.10%
Next \$20,000,000 or more	0.05%

<sup>1</sup> The annual advisor fee for certain account sizes and types is negotiable.

<sup>2</sup> Commonwealth will charge a minimum annual program fee of \$500 (\$125 quarterly), which may exceed the maximum annual program fee percentage based on account size.

The maximum program fee in the PPS Select Equity SMA Program is as follows:

Account Value	Maximum Program Fee <sup>2</sup>
First \$250,000	0.60%
Next \$250,000	0.50%
Next \$500,000	0.45%
Next \$1,000,000	0.40%
Next \$3,000,000	0.35%
Next \$5,000,000 or more	0.30%

<sup>1</sup> The annual advisor fee for certain account sizes and types is negotiable.

<sup>2</sup> Commonwealth will charge a minimum annual program fee of \$600 (\$150 quarterly), which may exceed the maximum annual program fee percentage based on account size.

For clients with multiple PPS Select accounts that are identical in registration and title, Commonwealth will aggregate the values of those accounts so they may benefit from a lower PPS Select annual program fee calculation for those identically titled accounts than if the annual program fees were calculated on a per-account basis.

### **PPS Select Jefferson National Annuity Program Services, Fees, and Compensation**

No new accounts are being opened in this program. For existing accounts, the PPS Select Jefferson National Monument Advisor Variable Annuity Program offers clients a managed account chosen from specific asset allocation models developed and managed by Commonwealth's Investment Management



and Research team as portfolio manager. The account will consist of a mix of asset classes, with weightings based on risk profile, investment objective, individual client preferences, availability, and account size. Clients will have the opportunity to periodically meet with their advisor to review their account. The account may be rebalanced pursuant to the discretionary trading authority clients grant to Commonwealth at any time to help ensure that the PPS Select Jefferson National Monument Advisor Variable Annuity account remains within reasonable deviation parameters of the specific asset allocation model selected by the client.

Advisors will collect financial data from clients, help clients determine the appropriateness of the account, and help clients identify the investment objectives and model portfolio strategies to be used. Each PPS Select Jefferson National Monument Advisor Variable Annuity will have an appropriate percentage mix of variable annuity subaccount asset classes allocated to the account.

Most often, several asset classes with varying degrees of risk will be used in a client's portfolio, depending on the client's risk profile, investment objectives, individual client preferences, and availability. Commonwealth will have complete and unlimited discretionary trading authority to purchase and sell variable annuity subaccounts in the account in accordance with the investment objectives and model allocations chosen by the client.

Clients participating in the PPS Select Jefferson National Annuity Program will pay a total account fee that consists of a combination of an advisor fee and a program fee. Commonwealth and the advisor will share in the advisor fee. Commonwealth retains the program fee to compensate Commonwealth as portfolio manager. Other third-party custodial fees may apply.<sup>1</sup>

The maximum allowable advisor fee in the PPS Select Jefferson National Annuity Program is as follows:

Account Value	Maximum Advisor Fee <sup>2</sup>
Up to \$499,999	2.00%
\$500,000–\$999,999	1.75%
\$1,000,000–\$4,999,999	1.50%
\$5,000,000 or more	1.25%

The maximum program fee in the PPS Select Jefferson National Annuity Program is as follows:

Account Value	Maximum Program Fee <sup>3</sup>
First \$250,000	0.25%
Next \$250,000	0.20%
Next \$500,000	0.15%
Next \$1,000,000 or more	0.10%

<sup>1</sup> Jefferson National has a \$20 monthly flat insurance fee.

<sup>2</sup> The annual advisor fee for certain account sizes and types is negotiable.

<sup>3</sup> Commonwealth will charge a minimum annual program fee of \$35 (\$8.75 quarterly), which may exceed the maximum annual program fee percentage based on account size.

Additional information about other compensation Commonwealth and your advisor receive can be found in Item 14 of Part 2A of this Brochure.

For clients with multiple PPS Select accounts that are identical in registration and title, Commonwealth will aggregate the values of those accounts so they may benefit from a lower PPS Select annual program fee calculation for those identically titled accounts than if the annual program fees were calculated on a per-account basis.

In addition to the fees noted above, clients incur certain charges in connection with investments made through the PPS Select Jefferson National Monument Advisor Variable Annuity Program. These include, but are not limited to, the following:



- Variable annuity subaccount management fees and administrative expenses
- Variable annuity subaccount transaction fees and redemption fees
- Variable annuity mortality and expenses
- Variable annuity living and death benefit rider costs
- Other variable annuity account service and miscellaneous fees, as applicable
- Other charges that may be required by law

For more information that explains the fees and charges paid by clients participating in the program, see the Jefferson National Monument Advisor Variable Annuity prospectus.

### **PPS Custom Program (Platform) Services, Fees, and Compensation**

Commonwealth offers two versions of the PPS Custom Program to clients, which Commonwealth refers to as PPS Custom Program (Transactions) and PPS Custom Program (Platform). Commonwealth limits advisors to offering *only one* of the two versions of the PPS Custom Program to *all* of the advisor's clients who wish to participate in the PPS Custom Program. This means that while Commonwealth offers two versions of the PPS Custom Program to clients generally (i.e., Transactions and Platform), each advisor is restricted to offering *only one* of those two versions to *all* of that advisor's clients. Therefore, other advisors will have access to and will offer their clients a version of the PPS Custom Program that the client's advisor cannot offer them. Depending on the specific type of PPS Custom Program that is available to clients through the client's chosen advisor, the fees and charges clients will pay when participating in the PPS Custom Program will vary, as described more fully below. Clients should discuss with their advisor the specific version of the PPS Custom Program their advisor may offer them, and clients should consider the specific version of the PPS Custom Program that is available to them through their advisor versus other versions of the PPS Custom Program that would be available to the client were they to choose to work with a different advisor when making a decision to participate in the PPS Custom Program.

The PPS Custom Program (Platform) account enables an advisor to assist the client in developing a personalized investment portfolio using one or more investment types, including, but not limited to, stocks, bonds, mutual funds, ETFs, unit investment trusts ("UITs"), variable and fixed-indexed annuities, and alternative investments. The advisor typically acts as portfolio manager, with full investment discretion, though clients may elect to have the advisor manage the account on a nondiscretionary basis. The account will be tailored to the particular needs of the client and may consist of a mix of asset classes and weightings based on risk profile, investment objective, and individual preferences. The client will have the opportunity to periodically meet with the advisor to review the account. The account may be rebalanced at any time, pursuant to the discretion granted, to maintain the chosen asset allocation. The account may also be reallocated as necessary when warranted by market conditions or changes in the client risk profile, investment objective, or other relevant circumstances.

Clients participating in the PPS Custom Program (Platform) will pay a total account fee that consists of a combination of management fee, which is negotiable, and a platform fee. Commonwealth and the advisor will share in the management fee. Commonwealth retains the platform fee, a portion of which Commonwealth uses to offset custody and clearing costs and annual maintenance fee charges. Depending upon the mutual fund families selected, transaction charges will also apply.<sup>1</sup> A transaction charge of \$1 per contract for purchases and sales of options will also apply. A \$5 quarterly paper document fee will apply to each account not enrolled in electronic delivery of statements and confirmations.

The maximum allowable management fee schedule for a new PPS Custom Program (Platform) account is as follows:

Account Value		Maximum Annual Management Fee
Greater than or equal to	Less than	
\$0	\$750,000	2.25%





\$750,000	\$1,000,000	2.00%
\$1,000,000	\$2,000,000	1.75%
\$2,000,000	—	1.50%

<sup>1</sup>Transaction charges of \$15 for buys and sells and a maximum of \$3 for periodic investment plans and systematic withdrawal plans will apply in the following mutual fund families: Dimensional Fund Advisors ("DFA"), Dodge & Cox, and Vanguard, except that DFA sells are \$0. For trader-assisted transactions, an additional \$5 fee is charged to the advisor.

The maximum platform fee schedule for a PPS Custom Program (Platform) account is as follows:

Account Value	Maximum Platform Fee <sup>2</sup>
First \$250,000	0.05%
Next \$250,000	0.04%
Next \$500,000	0.03%
Next \$1,500,000	0.02%
More than \$2,500,000	0.01%

<sup>2</sup> The platform fee is household based and calculated on a blended basis, with a minimum annual account fee of \$100 (minimum quarterly fee of \$25), which may exceed the maximum annual platform fee percentage based on account size. Households are maintained by the advisor.

### PPS Custom Program (TIAA and Fidelity) Services, Fees, and Compensation

These Programs enable an advisor to assist participants in retirement plans offered through TIAA and Fidelity in developing a personalized investment portfolio. The advisor acts as portfolio manager, with full investment discretion, though clients may also select a nondiscretionary program account.

Clients participating in the Programs will pay a management fee, which is negotiable. Commonwealth and the advisor will share in the management fee. Other transaction charges and third-party custodial fees may apply.

The maximum allowable management fee schedule for a Program account is as follows:

Account Value		Maximum Annual Management Fee
<b>Greater than or equal to</b>	<b>Less than</b>	
\$0	\$1,000,000	2.00%
\$1,000,000	\$2,000,000	1.75%
\$2,000,000	—	1.50%

Additional information about other compensation Commonwealth and your advisor receive can be found in Item 14 of Part 2A of this Brochure.

More information about the fees and charges assessed by a mutual fund can be found in the appropriate mutual fund prospectus. Information about custodial and other charges that may be assessed to clients by TIAA or Fidelity is available directly from TIAA or Fidelity.

### PPS Custom Program (529 Plans) Services, Fees, and Compensation

The PPS Custom Program (529 Plans) enables an advisor to offer clients an asset management account in which the advisor assists the client in developing a personalized asset allocation program using investment options available within a tax-advantaged 529 plan. The advisor typically acts as portfolio manager, with full investment discretion, though clients may elect to have the advisor manage the account on a nondiscretionary basis. The account will be tailored to the particular needs of the client and may consist of a mix of asset classes and weightings based on the client's risk profile, investment objective, and individual preferences. The client will have the opportunity to periodically meet with the advisor to review the account. The account may be rebalanced at any time, pursuant to the discretion granted, to maintain the chosen asset allocation. The account may also be reallocated by the advisor as necessary or when warranted by market conditions or changes in the client risk profile, investment



objective, or other relevant circumstances. Clients are advised that the Internal Revenue Service imposes restrictions on the number of reallocations that can be made in a calendar year. Please consult your advisor for further information.

Clients participating in the PPS Custom Program (529 Plans) will pay an annual management fee, which is negotiable. Clients are required to authorize Commonwealth to debit the annual management fee on a quarterly basis from a separate National Financial Services LLC (“NFS”) account held by the client. Commonwealth and the advisor will share in the management fee.

The maximum allowable annual management fee for a PPS Custom Program (529 Plans) account is as follows:

Account Value		Maximum Annual Management Fee
Greater than or equal to	Less than	
\$0	\$750,000	2.25%
\$750,000	\$1,000,000	2.00%
\$1,000,000	\$2,000,000	1.75%
\$2,000,000	—	1.50%

In addition to the fees noted above, clients incur certain charges in connection with investments made through the PPS Custom Program (529 Plans). Commonwealth receives a portion of these fees. These include, but are not limited to, the following:

- Investment option or money market 12b-1 fees, sub-transfer agent fees, and distributor fees
- Investment option and money market management fees and administrative expenses
- Investment option transaction and redemption fees
- Other charges that may be required by law
- Brokerage account fees and charges

More information about the fees and charges assessed by a mutual fund can be found in the appropriate mutual fund prospectus. Information about custodial and other charges that may be assessed to clients by 529 plans is available directly from 529 plans.

### **PPS Custom Program (Variable Insurance, Structured Variable Annuity and Fixed-Index Annuity) Services, Fees, and Compensation**

**Variable insurance.** The PPS Custom Program (Variable Insurance) enables an advisor to assist participants in certain variable insurance products offered through various insurance companies in developing a personalized investment portfolio. The advisor acts as portfolio manager, typically with full investment discretion, though clients may also select a nondiscretionary program account.

**Structured variable annuity.** The PPS Custom Program (Structured Variable Annuity) enables an advisor to assist participants in certain structured variable annuities offered through various insurance companies in developing a personalized investment portfolio. The advisor acts as portfolio manager, typically with full investment discretion, though clients may also select a nondiscretionary program account.

**Fixed-index annuity.** The PPS Custom Program (Fixed-Indexed Annuity) enables an advisor to assist participants in certain fixed-indexed annuities offered through various insurance companies in developing a personalized investment portfolio. The advisor acts as portfolio manager, typically with full investment discretion, though clients may also select a nondiscretionary program account.



**Fees.** Clients participating in the Programs will pay a management fee, which is negotiable. Commonwealth and the advisor will share in the management fee. Other transaction charges and third-party fees may apply.

The maximum allowable management fee schedule for a PPS Custom Program (Variable Insurance) account is as follows:

Account Value		Maximum Annual Management Fee
<b>Greater than or equal to</b>	<b>Less than</b>	
\$0	\$750,000	2.25%
\$750,000	\$1,000,000	2.00%
\$1,000,000	\$2,000,000	1.75%
\$2,000,000	—	1.50%

The maximum annual management fee for a new PPS Custom Program (Structured Variable Annuity) and PPS Custom Program (Fixed Annuity) account is 1.25 percent.

Additional information about other compensation Commonwealth and your advisor receive can be found in Item 14 of Part 2A of this Brochure.

In addition to the fees noted above, clients incur certain charges in connection with investments made through the Program. These include, but are not limited to, the following:

- Subaccount management fees and administrative expenses
- Subaccount transaction fees and redemption fees
- Index-linked strategy administrative expenses
- Index-linked strategy transaction fees and redemption fees
- Mortality fees and expenses
- Living and death benefit rider costs
- Other account service and miscellaneous fees
- Other charges that may be required by law and/or the insurance company for annuity purchases

More information about the fees and charges assessed by an insurance company can be found in the appropriate variable insurance, structured variable annuity or fixed-indexed annuity prospectus.

### **SEI Asset Management Program Services, Fees, and Compensation**

The SEI Asset Management Program through Commonwealth offers clients a managed account using a series of model strategies (“Model Strategies”) provided to Commonwealth by SEI Investments Management Corporation (“SEI”), an SEC-registered investment adviser, whereby Commonwealth makes available model portfolios consisting of no-load and load-waived mutual funds advised by SEI or separate account program portfolios comprising mutual funds, individual securities, cash, cash equivalents, and/or other investments managed by SEI or a separate portfolio manager.

The advisor will assist the client in determining the appropriateness of the account and will help the client establish an asset allocation policy. SEI will determine the portfolio managers and investment allocation within each model portfolio. SEI Private Trust Company (“SPTC”) will invest the account according to the client’s chosen asset allocation policy and rebalance or reallocate the investments within the account. Generally, rebalancing will occur on a monthly basis. SEI may change the relative allocation among the funds in the models, as well as the funds and portfolio managers included in the models. Such changes in the asset allocations of the model portfolios will generally be effected on a quarterly basis.

Account assets are held in custody by SPTC. Clients will enter into a separate custodial agreement with SPTC to participate in the program and are subject to the SPTC fees and charges for their services.



Clients will receive from SPTC account statements no less frequently than quarterly detailing account activity and positions held in the account at period-end, as well as an annual tax reporting statement from SPTC. Clients may also receive quarterly performance updates showing the investment performance of the account.

The maximum allowable annual management fee schedule for a new SEI Asset Management Program account through Commonwealth is as follows:

Account Value		Maximum Annual Management Fee
Greater than or equal to	Less than	
\$0	\$750,000	2.25%
\$750,000	\$1,000,000	2.00%
\$1,000,000	\$2,000,000	1.75%
\$2,000,000	—	1.50%

The annual management fee is negotiable and shall be as set forth in the “Payment of Advisor Fees” section of the SPTC Investor Application and the associated fee schedule. Commonwealth and the advisor will share in the management fee.

In addition to the fees described above, clients incur certain charges imposed by third parties other than Commonwealth and the advisor, such as SEI and SPTC, including, but not limited to, SEI fund management fees and administrative servicing fees, SEI account maintenance fees, and IRA and qualified retirement plan fees. SEI charges 0.3 percent–1.2 percent of AUM per year for investment management services performed by SEI, based upon the type of model portfolio selected by the client. Neither Commonwealth nor the advisor receives any portion of third-party fees. Further information regarding fees and charges assessed by an SEI fund is available in the appropriate prospectus.

More information that explains the fees and charges paid by clients participating in the program can be found in the SEI Account Application (including the associated fee schedule, custody agreement, custody account fee schedule, and investment management agreement for separately managed accounts), SEI’s Form ADV Part 2A Brochure, and/or offering document for the specific investment products used in the program.

#### **Fee Considerations that Apply to All Programs Described in This Brochure**

Participating in a Program described in this Brochure may cost clients more or less than clients might otherwise pay if purchasing the services separately. There are several factors that determine whether such costs would be more or less, including, but not limited to, the following:

- Size of the account
- Types of securities and strategies involved
- Managers selected, if applicable
- Amount of trading
- Actual costs of such services if purchased separately
- Transaction costs, including the additional costs of step-out trading, if applicable

The advisory fees charged for the services provided by Commonwealth and your advisor, including research, supplemental advisory, and client-related services offered through the Programs, may exceed those of other similar programs.

In addition to the fees noted above, clients incur certain charges in connection with investments made through the Programs. Commonwealth receives a portion of these fees. These include, but are not limited to, the following:



- Mutual fund and money market 12b-1 fees, sub-transfer agent fees, and distributor fees
- Mutual fund, ETF, and money market management fees and administrative expenses
- Mutual fund transaction fees and redemption fees
- Certain deferred sales charges on previously purchased mutual funds transferred into the account
- Other transaction charges and service fees
- IRA and qualified retirement plan fees
- Brokerage account service and miscellaneous fees and charges, as applicable
- Retirement plan fees, if applicable
- Other charges that may be required by law

As a matter of policy, Commonwealth credits the mutual fund 12b-1 fees it receives from mutual funds purchased or held in PPS Direct Model Strategies, PPS Select and PPS Custom (Platform) accounts back to the client accounts paying such 12b-1 fees.

### **Other General Costs That Apply to the Programs Described in This Brochure**

Other costs that are charged which are not part of those mentioned in the various program descriptions above include fees for portfolio transactions executed away from the broker/dealer or custodian selected by the client, dealer markups, electronic fund and wire transfers, spreads paid to market-makers, and exchange fees, among others. The program fees described above do not cover certain charges associated with securities transactions in clients' accounts, including (i) dealer markups, markdowns, or spreads charged on transactions in over-the-counter securities; (ii) costs relating to trading in certain foreign securities; (iii) the internal charges and fees assessed on collective investment vehicles, such as mutual funds and closed-end funds, UITs, ETFs, or real estate investment trusts ("REITs"); (iv) brokerage commissions or other charges imposed by broker/dealers or entities other than the custodian if and when trades are cleared by another broker/dealer; (v) the charge to carry tax lot information on transferred mutual funds or other investment vehicles, postage and handling charges, returned check charges, transfer taxes, stock exchange fees, or other fees mandated by law; and (vi) any brokerage commissions or other charges, including contingent deferred sales charges ("CDSC"), imposed upon the liquidation of "in-kind assets" that are transferred into a program account.

Commonwealth or the appointed third-party investment adviser or Money Manager will liquidate assets transferred into a program account at their sole discretion. Clients should be aware that if they transfer in-kind assets into a program account, such assets are subject to immediate or future discretionary liquidation and clients will incur a brokerage commission or other charge, including a CDSC, as applicable. Clients will also be responsible for the payment of any taxes when liquidations of assets held in their account take place. Accordingly, clients should consult with their advisor and tax consultant before transferring in-kind assets into a program. The broker/dealer or custodian will charge the client certain additional and/or minimum fees in accordance with their policies.

Client will also incur applicable redemption fees when the third-party investment adviser or Money Manager to an investment strategy determines that it is in the client's overall interest, in conjunction with the stated goals of the investment strategy, to divest from certain collective investment vehicles prior to the expiration of the collective investment vehicle's minimum holding period. Depending on the length of the redemption period, the particular investment strategy, and/or market circumstances, a third-party investment adviser or Money Manager may be able to minimize any redemption fees when, at their discretion, it is reasonable to allow a client to remain invested in a collective investment vehicle until expiration of the minimum holding period.

In certain programs, the total annual account fee does not cover certain custodial fees that are charged to clients by the custodian. Clients will be charged for specific account services, such as ACAT transfers, electronic fund and wire transfers, and for other optional services elected by clients. Accounts will be subject to transaction-based ticket charges for the purchase or sale of certain mutual funds depending upon the specific program account selected by the client. Similarly, the total annual account fee does not cover certain non-brokerage-related fees, such as IRA trustee or custodian fees and tax-qualified retirement plan account fees and annual and termination fees for retirement accounts, such as IRAs.



Additional information about other compensation Commonwealth and your advisor receive can be found in Item 14 of Part 2A of this Brochure. More information that explains the fees and charges paid by clients participating in the programs described in this Brochure is in Commonwealth's Schedule of Miscellaneous Account and Service Fees, available at [www.commonwealth.com/clients/media/Commonwealth\\_Brokerage\\_Fee\\_Schedule.pdf](http://www.commonwealth.com/clients/media/Commonwealth_Brokerage_Fee_Schedule.pdf), as well as in the investment product prospectus, statement of additional information, and/or offering document for the specific investment products used in the programs.

Please refer to the respective program description in this Brochure, to the respective client agreement, and to the respective TPAM Program Brochure (if applicable) for specific information about the maximum fee allowed, the varying fee schedules of each program, and the methods of fee billing for the program(s) you select.

**Special disclosures for ERISA plans.** In this Brochure, Commonwealth has disclosed conflicts of interest, such as receiving additional compensation from third parties (e.g., 12b-1 fees, sub-transfer agent fees, and revenue sharing) for providing marketing, recordkeeping, or other services in connection with certain investments. Commonwealth, however, has adopted policies and procedures that are designed to ensure compliance with the prohibited transaction rules under ERISA, as amended. For example, Commonwealth has taken several steps to address the conflict of interest associated with Commonwealth's or advisors' receipt of compensation for services provided to ERISA plans.

First, an advisor negotiates the compensation with ERISA plan sponsors or participants ("ERISA clients") and the compensation is an annual fee for ongoing services based on a percentage of assets under advisement, a flat fee, or an hourly rate. Second, to the extent that an advisor receives additional compensation from a third party, the advisor must report it to Commonwealth to enable the additional compensation to be offset against the fees ERISA clients would otherwise pay for the advisor's services. Third, Commonwealth has established a policy not to influence any advisor's advice or management of assets at any time or for any reason based on any compensation that Commonwealth or the advisor might receive from third parties. In no event will Commonwealth allow advisors to provide advice or manage assets for ERISA clients if they have conflicts of interest that Commonwealth believes are prohibited by ERISA.

As a covered service provider to ERISA plans, Commonwealth will comply with the U.S. Department of Labor regulations on fee disclosures, effective July 16, 2011 (or such other date as provided by the Department). Thus, Commonwealth and its advisors will disclose (i) direct compensation received from ERISA clients; (ii) indirect compensation (e.g., 12b-1 fees) received from third parties; and (iii) transaction-based compensation (e.g., commissions) or other similar compensation shared with related parties servicing the ERISA plan. These fee disclosures will be made reasonably in advance of entering into, renewing, or extending the advisory service agreement with the ERISA client.





## Item 5: Account Requirements and Types of Clients

### **PPS Direct SMA/UMA Program**

The minimum account size required to participate in the PPS Direct SMA Program is normally \$100,000. The minimum account size required to participate in the PPS Direct UMA Program is normally \$250,000. At Commonwealth's and Envestnet's discretion, an account may be established at a lower minimum.

### **PPS Direct Russell Model Strategies Program**

The PPS Direct Russell Model Strategies minimum account size is generally \$25,000. At Commonwealth's discretion, an account may be established at a lower minimum.

### **PPS Direct American Funds Model Portfolios Program**

The PPS Direct American Funds Model Portfolios Program is generally available to client accounts with an initial value of at least \$5,000. At Commonwealth's discretion, an account may be established at a lower minimum.

### **PPS Direct BlackRock ETF Managed Portfolio Series Program**

The PPS Direct BlackRock ETF Managed Portfolio Series is generally available to client accounts with an initial value of at least \$10,000. At Commonwealth's discretion, an account may be established at a lower minimum.

### **PPS Select Program**

The PPS Select Program is generally available to client accounts with an initial value of at least \$10,000 for Active model portfolios and \$1,000 for Passive model portfolios. At Commonwealth's discretion, an account may be established at a lower minimum.

### **PPS Select DFA Program**

The PPS Select DFA Program is generally available to client accounts with an initial value of at least \$50,000. At Commonwealth's discretion, an account may be established at a lower minimum.

### **PPS Select Fixed Income SMA Program**

The PPS Select Fixed Income SMA Program is generally available to client accounts with an initial value of at least \$500,000. At Commonwealth's discretion, an account may be established at a lower minimum.

### **PPS Select Equity SMA Program**

The PPS Select Equity SMA Program is generally available to client accounts with an initial value of at least \$100,000. At Commonwealth's discretion, an account may be established at a lower minimum.

### **PPS Select Jefferson National Annuity Program**

The PPS Select Jefferson National Annuity Program is generally available to client accounts with an initial value of at least \$25,000. At Commonwealth's discretion, an account may be established at a lower minimum.

### **PPS Custom Program (Platform)**

The PPS Custom Program (Platform) is generally available to client accounts with an initial value of at least \$25,000. At Commonwealth's discretion, an account may be established at a lower minimum.

### **PPS Custom Program (TIAA)**

The PPS Custom Program (TIAA) is generally available to client accounts with no account minimum.

### **PPS Custom Program (Fidelity)**

The PPS Custom Program (Fidelity) is generally available to clients with no account minimum.

### **PPS Custom Program (529 Plans)**

The PPS Custom Program (529 Plans) is generally available to client accounts with an initial value of at least \$25,000. At Commonwealth's discretion, an account may be established at a lower minimum.

**PPS Custom Program (Variable Insurance)**

The PPS Custom Program (Variable Insurance) is generally available to clients with an initial value of at least \$1,000.

**PPS Custom Program (Structured Variable Annuity)**

The PPS Custom Program (Structured Variable Annuity) is generally available to clients with an initial value of at least \$5,000.

**PPS Custom Program (Fixed-Indexed Annuity)**

The PPS Custom Program (Fixed-Indexed Annuity) is generally available to clients with an initial value of at least \$10,000.

**SEI Asset Management Program**

The SEI Mutual Fund Strategies program is generally available to clients with no account minimum. The SEI ETF Strategy is generally available to clients with an initial value of at least \$25,000. The SEI Managed Account Solution is generally available to clients with an initial value of at least \$50,000. The SEI Asset Management Program is generally available to client accounts with an initial value of at least \$100,000.

**All Programs**

Most Commonwealth clients are retail clients, such as individual and joint owners, revocable and irrevocable trusts, individual retirement accounts, self-directed 401(k) participant accounts, 529 college saving plan accounts, health savings accounts, and custodial accounts. Commonwealth also manages assets held in corporate, pension, 401(k), defined benefit plan, and municipality accounts, among others.

## Item 6: Portfolio Manager Selection and Evaluation

**PPS Direct Program**

In the review, analysis, and approval of Money Managers or Strategists for the PPS Direct programs, Commonwealth will perform due diligence on the Money Manager or Strategist in line with Commonwealth's current policies and practices at the time. In conducting its due diligence of each Money Manager or Strategist, Commonwealth will generally consider the following:

- Investment strategy and discipline
- Performance history
- Experience
- Marketing materials
- Nature of client base
- Reporting capabilities
- Disciplinary history
- Form ADV Part 1 and Part 2 disclosures and financial condition
- Availability to clients of Commonwealth
- Ability to trade through Commonwealth

Once a Money Manager or Strategist is approved for the PPS Direct Program, Commonwealth will monitor the Money Manager's or Strategist's performance, AUM, disciplinary history, and investment strategy discipline. Commonwealth's monitoring of the Money Manager's or Strategist's performance does not typically include any calculation or determination as to the accuracy of any performance information that may be provided by the respective Money Manager or Strategist. Since Commonwealth itself is the sponsor of the PPS Direct Program, however, and receives electronic transaction and account data directly from NFS or Pershing LLC ("Pershing"), Commonwealth prepares and makes available to PPS Direct account clients its own performance reports. Commonwealth urges clients to compare the account statements they receive from their account custodian with any account summary statements they receive from Commonwealth or their advisor.



If you believe there are material discrepancies between your custodial statement and the summary statements or reports you receive from Commonwealth or your advisor, please promptly call Commonwealth directly at 800.237.0081.

Based upon Commonwealth's monitoring of the Money Manager or Strategist, your advisor may recommend that a particular Money Manager or Strategist be terminated or replaced. Such a recommendation may be based on a number of factors, including, but not limited to, the following:

- Performance, changes, or deviations in the Money Manager's or Strategist's stated investment strategy or style
- Material changes in the disciplinary history of the Money Manager or Strategist
- Changes in a client's objectives, financial circumstances, goals, or needs

Money Manager or Strategist strategies approved for Commonwealth's PPS Direct programs will generally reside in one of four categories—Recommended, Offered, Accommodative, or Closed—as more fully described below.

**A. “Recommended” Status for PPS Direct Program Manager Strategies.** Manager strategies on “Recommended” status may be selected from the existing pool of offered managers but are frequently sought out directly by the Investment Management and Research team. Managers that are on the Recommended List are subject to ongoing due diligence by the Investment Management and Research team. Such reviews consider quantitative and qualitative factors, absolute and relative performance, style consistency, risk management, operational parameters, and other considerations. Commonwealth will make quarterly performance available to advisors and their clients. Further analysis and periodic communication may also be provided to advisors and their clients as necessary or appropriate.

**B. “Offered” Status for PPS Direct Program Manager Strategies.** At times, PPS Direct manager strategies may be removed from the Recommended List and reclassified in an “Offered” status. Potential reasons for such occurrences could include performance concerns, operational issues, or limited use by advisors and their clients. Advisors receive notification of managers that are removed from the Recommended List. Managers that are on the Offered list are subject to ongoing due diligence by the Investment Management and Research team. Such reviews consider quantitative and qualitative factors, absolute and relative performance, style consistency, risk management, operational parameters, and other considerations. Commonwealth will make quarterly performance available to advisors and their clients. Managers listed as Offered status are generally not marketed to advisors and may be available for use only under limited circumstances.

**C. “Accommodative” Status for PPS Direct Program Manager Strategies.** Commonwealth will periodically add manager relationships pursuant to the request of one or more advisors. Managers who are on the “Accommodative” list are subject to ongoing due diligence by the Investment Management and Research team. Such reviews consider quantitative and qualitative factors, absolute and relative performance, style consistency, risk management, operational parameters, and other considerations. Commonwealth will make quarterly performance available to advisors and their clients. Managers listed as Accommodative status are generally not marketed to advisors and may be available for use only under limited circumstances.

**D. “Closed” Status for PPS Direct Program Manager Strategies.** Managers who elect to close an existing strategy to new or existing client investments, or who are subject to termination by Commonwealth, will be reclassified under a “Closed” status. Advisors using such managers at the time of closing will be notified accordingly. Managers that are on the Closed list are subject to ongoing due diligence by the Investment Management and Research team for as long as Commonwealth maintains client accounts at the manager. Such reviews consider quantitative and qualitative factors, absolute and relative performance, style consistency, risk management, operational parameters, and other considerations. Commonwealth will make quarterly performance available to advisors and their clients who continue to participate in a closed program.



Advisors assist their clients in choosing a PPS Direct Program that the advisor believes is consistent with the client's risk tolerance and investment objectives, among other factors. The advisor will also assist clients in selecting a particular manager who has developed a model portfolio that the advisor believes is reasonably designed to meet the client's long-term goals. Some strategies may be high-risk strategies. While such strategies provide the potential for substantial returns, they also involve significant risks, including loss of principal and are not suitable or intended for all investors. Clients who choose to follow high-risk strategies should be aware that there is the possibility of significant losses and even total loss of all assets placed in the strategies.

### **PPS Select Program**

PPS Select offers clients access to model portfolios that are created and managed by Commonwealth's Investment Management and Research ("IM&R") team. Following asset allocation concepts and modern portfolio theory, the PPS Select portfolios are designed to provide long-term, risk-adjusted returns for investors across the risk/return spectrum. Depending on the model, the program may invest in mutual funds, ETFs, closed-end funds, and individual securities.

The advisor will recommend one or more of the PPS Select model strategies and will provide advice in accordance with each client's stated needs and objectives. Advisors may also choose to implement a PPS Select portfolio sleeve approach for their clients by blending various PPS Select model strategies into one portfolio that is managed by Commonwealth's IM&R team. As the portfolio manager for the PPS Select Program, Commonwealth receives a portion of the account fee for the advisory services performed by the Investment Management and Research team and other program services, such as performance reporting, account reconciliation, auditing, and quarterly statements.

The PPS Select Program offers an advisor's clients several model strategies from which to choose. Each of the model strategies available in the PPS Select Program offers varying degrees of risk and potential reward. Of course, no investment strategy or methodology is guaranteed to be profitable, and past performance does not guarantee future results. PPS Select model strategies consist of Adaptive, Core/Satellite, Dimensional Fund Advisors ("DFA"), Moving Average, PPS Select Equity SMA, PPS Select Fixed Income SMA, and Environmental, Social, and Governance ("ESG") portfolios, in addition to Active (taxable and tax aware), Passive (taxable and tax aware), and Income (taxable and tax aware) portfolios, and those with Diversifying Strategies (such as alternative investments).

**Active, Passive, and Income Models.** These models are invested in equity and fixed income asset classes. The asset allocations consist of positive or negative tilts based on the Investment Management and Research team's research (quantitative and qualitative analysis). Investments focus on, but are not limited to, the nine domestic equity style boxes, internationally developed and emerging market securities, a broad range of fixed income markets, and multi-asset funds. Portfolios range from Primarily Fixed Income to Equity, depending on a client's risk tolerance and investment objective.

**Core/Satellite Models.** Combining the benefits of indexing (e.g., low cost and tax efficiency) with the abilities of active management, this approach exploits market inefficiencies over time by investing in both mutual funds and ETFs. The core portion of these portfolios is generally represented by exposure to passively managed mutual funds and ETFs that are designed to track various market indices; the satellite component is typically allocated to actively managed mutual funds that are striving to outperform their respective indices. The appropriate allocation varies by asset class and investment objective.

**DFA Models.** These strategies are composed entirely of DFA investment options that use factor-based investing focusing on different dimensions of returns, such as value, high profitability, and momentum, to structure the mutual funds and ETFs. On the equity side, the DFA model has a small-capitalization bias with exposures to profitable, low price-to-book ratio companies. In the fixed income space, the factors that DFA focuses on are term and credit. These models are built using DFA strategies and are done so in close conjunction with DFA's model team.



**Models with Diversifying Strategies.** These models build on the Active, Passive, and Income models by adding alternative investments—those that do not fit into the standard equity or fixed income classifications. These investments typically offer additional attributes in their investment profiles, such as low or noncorrelation or other facets that help move the overall portfolio down the risk spectrum. Alternative asset classes consist of, but are not limited to, managed futures, long/short, event driven, macro, and multi-alternative.

**Moving Average Models.** The Moving Average model portfolios employ a momentum-based strategy that incorporates the 200-day moving average. The portfolios seek steady capital growth while attempting to limit downside exposure by moving in and out of three core asset classes (equity, fixed income, and gold). In the Concentrated Tactical Moving Average model, the maximum allocation for each core asset class is 33 percent, but the portfolio can allocate up to 100 percent to cash or cash equivalents if market conditions warrant. In the Diversified Tactical Moving Average model, the core asset classes include equity (broken down into large-cap growth and value, mid-cap growth and value, and small-cap growth and value, and international equities), fixed income, and gold. The maximum allocation for each asset class is 10 percent, but the portfolio can allocate up to 100 percent to cash or cash equivalents if market conditions warrant. The goal is to limit return and drawdown risk during market downturns—metaphorically putting on a seat belt while navigating market unpredictability.

**PPS Select Equity SMA Models.** The Equity SMAs provide investors with direct ownership of the individual securities they invest in, while offering greater tax efficiency, lower platform costs, and exposure to professional money management. The PPS Select Equity SMAs include:

- Equity Income SMA is a separately managed account model that seeks to provide current and future dividend growth, as well as long-term capital appreciation. The portfolio will invest primarily in the stocks of large-capitalization companies with a history of paying dividends or that possess prospects for future dividend growth; however, past and current performance is no guarantee of future results. Stocks are selected based on relative valuation metrics stemming from earnings and cash flow, with additional risk evaluation based on the company's balance sheet strength.
- ESG All-CAP SMA is a separately managed account model that seeks to provide growth while investing in corporations that adopt and integrate environmental, social, and governance (ESG) principles into their day-to-day business practices and long-term strategic decision-making. It is our belief that by enhancing our existing investment process with ESG criteria, we can identify financially attractive companies that also create sustainable long-term value while also providing an additional layer of risk mitigation. This portfolio has historically offered the highest level of risk of loss and potential for return; however, past performance is no guarantee of future results.
- Disciplined Growth SMA is a separately managed account model that seeks to invest in corporations that exhibit attractive growth prospects and trade at more reasonable valuations relative to sector peers. This portfolio has historically offered the highest level of risk of loss and potential for return; however, past performance is no guarantee of future results.

**PPS Select Fixed Income SMA Models.** This separately managed account model seeks income and preservation of capital. It will typically be invested in investment-grade, nationally issued bonds and focus on various parts of the yield curve, depending on the model. Investments are selected on a relative value basis and opportunities created by movements in the yield curve. The SMA may invest in a national portfolio while working to optimize tax efficiency.

**Sustainable Models.** Sustainable investing—sometimes referred to as environmental, social, and governance (ESG) investing—allows investors to pursue competitive financial returns while integrating sustainability criteria into the investment analysis process.

The Investment Management and Research team conducts extensive due diligence when selecting ETFs, funds, and securities for inclusion in or removal from the PPS Select portfolios. Matching clients' goals with their tolerance for risk is at the heart of any sound asset allocation model. The Investment Management and Research team relies on asset allocation concepts and tools based on modern portfolio theory to pursue a long-term strategy that's rigorous and disciplined, yet flexible enough to take advantage of short-term





market opportunities. Commonwealth's portfolio managers follow a comprehensive five-step due diligence process to determine which investments to include in or remove from the PPS Select portfolios.

**Step 1: Screening.** An initial screening process based on quantitative criteria is used as a starting point for further research. The purpose of the screening process is to narrow the investments that meet the managers' objective criteria.

**Step 2: Evaluation.** After screening, the remaining investments are evaluated by applying a scoring system based on returns that are adjusted to take into account quantifiable risk. In addition, investments are evaluated based on their peer group ranking, benchmark-relative performance, and consistency of investment management style.

**Step 3: Analysis.** The objective of this step is to build a solid understanding of how an investment operates. During this stage, portfolio managers spend a great deal of time evaluating the investment's philosophy and process to ensure that there is consistency. After in-depth quantitative and qualitative analysis is complete, they meet with key investment decision makers on-site or over the phone to gain a greater understanding of the decision makers' process for managing the portfolio.

**Step 4: Portfolio Construction.** After portfolio managers have identified one or a group of investments that are attractive on a stand-alone basis, they spend a considerable amount of time assessing how well the investment fits with other portfolio holdings. They review certain metrics, like excess return correlation, to ensure that holdings will perform as expected in different market environments.

**Step 5: Ongoing Monitoring.** Portfolios are monitored on an ongoing basis. Portfolio managers continually conduct performance reviews, holdings attribution analysis, firm commentary reviews, and regular conference calls and meetings to determine whether the portfolio is meeting their risk-adjusted return expectations.

### **PPS Custom Program**

The advisor is responsible for the investment advice and management offered to clients, and the client selects the advisor who manages the account. Commonwealth does not select or recommend other investment advisors or portfolio managers to clients within the PPS Custom Program. Each advisor managing a PPS Custom Program account chooses their own research methods, investment strategy, and management philosophy. The advisor will incorporate the investment objectives and needs, as well as time horizon and risk tolerance, when developing a client's investment strategy and management philosophy. It is important to note that no methodology or investment strategy is guaranteed to be successful or profitable. The advisor works with the client to obtain sufficient information to provide individualized investment advice and meets with the client on an ongoing basis. Clients are permitted to impose reasonable restrictions on the management of the account.

The advisor has access to various research reports, including those provided by the Investment Management and Research team and various third-party services, to which they may refer in determining which securities to purchase or sell. The Investment Management and Research team makes recommendations regarding asset allocation, mutual funds, and variable annuity subaccounts. Advisors may or may not follow these recommendations in managing PPS Custom Program accounts.

Clients should contact the advisor managing their accounts for additional information on the advisor's particular investment strategy and management philosophy. It is also important to note that an advisor may use a combination of investment strategies and management philosophies. For more information about the advisor managing the account, clients should refer to the Part ADV 2B Brochure Supplement provided by the advisor.

An account may be assigned to one or more advisors, and clients are notified if there is a new advisor assigned to service the account.





## Item 7: Client Information Provided to Portfolio Managers

The PPS Direct SMA/UMA and Strategist Program offers the advisory services of institutional Money Managers using individual securities as the underlying investments. These style-specific managed accounts are designed to meet a particular investment focus or style objective chosen by the client. Commonwealth provides the information provided by the client in the Envestnet Statement of Investment Selection ("SIS") to Envestnet at the time the account is opened. Envestnet, in turn, provides the information contained in the SIS to the portfolio managers. Copies of updates that are made to the SIS are provided to subadvisers as changes occur. The SIS information includes, but is not limited to, the client's name, initial investment amount, risk tolerance and investment selection, and Commonwealth account number. Envestnet will also provide the client's social security or tax ID number, date of birth, and address to portfolio managers. Commonwealth will also notify Envestnet, who will, in turn, notify portfolio managers, of any reasonable restrictions the client wishes to impose on the management of their PPS Direct accounts or the names or types of securities that should or should not be purchased, sold, or held in their PPS Direct accounts. In cases where Envestnet or a portfolio manager is unable to reasonably accommodate investment restrictions, clients will have the opportunity to select a different managed account program.

The PPS Select Program is a turnkey advisory solution managed by Commonwealth's Operations and Investment Management and Research teams. Commonwealth uses the client's PPS Select Client Agreement and Profile at the time the account is opened. Copies of updates that are made to the Client Profile are provided to Commonwealth as changes occur. The Client Profile information includes, but is not limited to, the client's name, address, telephone number, social security or tax ID number, date of birth, financial information, investment time horizon, risk tolerance, and portfolio name and description that is selected by the client. Commonwealth will accommodate reasonable restrictions that the client wishes to impose on the management of their PPS Select accounts or the names or types of securities that should or should not be purchased, sold, or held in their PPS Select accounts. In cases where Commonwealth is unable to reasonably accommodate investment restrictions, clients will have the opportunity to select a different managed account program.

The PPS Custom Program enables the advisor to collect financial data from clients, help clients determine the appropriateness of the investments in the account, and help clients identify the appropriate investment objectives and strategies to be used. Commonwealth and the advisor use the client's PPS Custom Program Client Profile at the time the account is opened for this purpose. Copies of updates that are made to the Client Profile are provided to Commonwealth as changes occur. The Client Profile information includes, but is not limited to, the client's name, contact information, personal identification information, financial information, investment time horizon, risk tolerance, and portfolio name and description that is selected by the client. The advisor is responsible for monitoring any restrictions that the client wishes to impose on the management of their PPS Custom Program accounts or the names or types of securities that should or should not be purchased, sold, or held in their PPS Custom Program accounts.

The SEI Asset Management Program enables the advisor to collect financial data from clients, help clients determine the appropriateness of the program account, and establish an asset allocation strategy for the client. SPTC will invest the account according to the client's chosen asset allocation strategy and will rebalance or reallocate the investments within the account. Clients will complete and submit to SPTC an account application that includes, but is not limited to, the client's name, address, telephone number, social security or tax ID number, date of birth, and account investment selections, instructions, and authorizations.



## Item 8: Client Contact with Portfolio Managers

Commonwealth does not place any restrictions on clients' ability to contact or consult with their portfolio managers during normal business hours. Clients may also contact their advisor to discuss the management of their Commonwealth accounts during normal business hours.

## Item 9: Additional Information

### Disciplinary Information

Information on disciplinary history and registration of Commonwealth and persons associated with Commonwealth may be obtained online at [adviserinfo.sec.gov](http://adviserinfo.sec.gov) or [brokercheck.finra.org](http://brokercheck.finra.org) or by contacting state regulatory authorities. Following is a list of those legal or disciplinary events that may be material to your evaluation of Commonwealth or the integrity of Commonwealth's management.

On April 7, 2023, in *Securities and Exchange Commission vs. Commonwealth Equity Securities, LLC*, Commonwealth was found by the U.S. District Court District of Massachusetts to have violated Section 206(2) of the Advisers Act because it was negligent in its failure to fully disclose conflicts of interest from revenue sharing it received with respect to certain mutual fund share classes during the time period of 2014 to 2018. The court also found that Commonwealth violated Section 206(4) and Rule 206(4)-7 in failing to adopt and implement written policies and procedures to disclose the revenue sharing compensation. On March 29, 2024, the court ordered Commonwealth to pay \$65,588,906 in disgorgement, \$21,185,162 in interest, and a fine of \$6,500,000.

During the period of January 1 through March 27, 2014, Commonwealth purchased, recommended, or held for advisory clients' mutual fund share classes that charged 12b-1 fees instead of lower-cost share classes of the same funds for which the clients were eligible. Commonwealth and its associated persons received 12b-1 fees in connection with these investments. The Securities and Exchange Commission ("SEC") found that Commonwealth failed to disclose in its Form ADV or otherwise the conflicts of interest related to its receipt of 12b-1 fees and/or its selection of mutual fund share classes that pay such fees. As a result of these disclosure failures, the SEC found that Commonwealth violated Sections 206(2) and 207 of the Advisers Act. Pursuant to the Division of Enforcement's Share Class Selection Disclosure Initiative, Commonwealth self-reported these violations to the SEC. On March 11, 2019, the SEC accepted Commonwealth's offer of settlement and entered an administrative order. Without admitting or denying the findings, Commonwealth consented to a cease and desist, censure, and disgorgement of \$1,426,700.16 and prejudgment interest of \$210,603.29.

### Other Financial Industry Activities and Affiliations

**Commonwealth, the broker/dealer, and material conflicts of interest.** As mentioned in the "About Us" section in Item 4 of Part 2A of this Brochure, Commonwealth is registered as an investment adviser and a broker/dealer. Commonwealth's registration as a broker/dealer is material to its advisory business because substantially all of its managed accounts are held with Commonwealth's broker/dealer. Depending upon the securities registrations held by each advisor, advisors offer a variety of securities and investments to their clients, including, but not limited to, mutual funds, ETFs, 529 college savings plans, health savings accounts, annuities, individual stocks and bonds, options, limited partnerships UITs, REITs, DAFs, structured products, alternative investments, and a variety of other securities and insurance products approved for sale by Commonwealth. Several of Commonwealth's principal executive officers and management persons, including Commonwealth's founder and chairman, vice chairman, CEO, president, and CFO are each individually registered with its broker/dealer. Further, Commonwealth's relationship as a broker/dealer presents a variety of material conflicts of interest with its clients. Commonwealth has separate, fully disclosed clearing arrangements with NFS and Pershing.

As part of the investment advisory programs offered to clients, Commonwealth, in its capacity as a broker/dealer, provides brokerage execution services to Commonwealth advisory clients participating in the PPS managed account programs. Commonwealth and its advisors make securities and insurance



recommendations to clients (or, in the case of discretionary services, make investment decisions for clients) regarding Commonwealth's investment advisory programs and services. Where permitted by law, Commonwealth and/or your advisor will receive transaction-based commissions, insurance commissions, mutual fund 12b-1 fees, distributor fees, service fees, due diligence fees, marketing reimbursements, revenue sharing, and other payments relating to your investment in or otherwise supporting Commonwealth's or your advisor's activities regarding the securities and insurance products recommended, purchased, or held within your Commonwealth advisory program account or pursuant to the advisory services provided. To the extent Commonwealth is the investment adviser, sponsor, or other service provider to your investment advisory program, Commonwealth receives compensation for its services. Clients should be aware that Commonwealth's or your advisor's receipt of commissions, fees, payments, and other compensation presents a conflict of interest because Commonwealth and your advisor have an incentive to make available or to recommend those products, programs, or services or to make investment decisions regarding investments that provide additional compensation to Commonwealth or your advisor over other investments that do not provide additional compensation to Commonwealth or your advisor.

**Other Commonwealth-Related Companies.** In addition to its registration as an investment adviser, Commonwealth is registered as a broker/dealer under the same name of Commonwealth Financial Network. Commonwealth has a related company that is licensed as an insurance agency under the name of CES Insurance Agency. Several Commonwealth management persons, and a large majority of advisors, are licensed insurance agents of CES Insurance Agency. Commonwealth has a related company, Commonwealth Investment Partners, which purchases minority interests in advisor practices or provides loans for advisor liquidity. Commonwealth has a related company, Commonwealth Continuum Advisors, created to offer a suite of investment advisory services and programs to advisors for use with their clients. These investment advisory services and programs are designed to accommodate a wide range of client investment philosophies, goals, needs, and investment objectives.

**Commonwealth's Relationships with Other Investment Advisers.** Commonwealth and your advisor may serve as Promoters for or recommend clients to third-party investment advisers. Commonwealth and its advisors are compensated for referring your advisory business to these third-party investment advisers. This compensation generally takes the form of the third-party investment adviser sharing with Commonwealth and your advisor a portion of the ongoing advisory fee the third-party investment adviser charges you for providing investment management services. Commonwealth and your advisor, therefore, have a conflict of interest to refer clients to those third-party investment advisers who pay referral fees to Commonwealth or to your advisor rather than those who don't. In addition, Commonwealth and your advisor have a conflict of interest to refer clients to those third-party investment advisers who pay higher referral fees over those who pay lower referral fees. Commonwealth performs reasonable due diligence on these third-party investment advisers on an initial and ongoing basis. Clients who are referred to these third-party investment advisers will receive a Disclosure Statement that describes, among other things, the compensation that will be paid to Commonwealth and the advisor by the third-party investment adviser.

### **Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading**

Pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended, Commonwealth has adopted a Code of Ethics that governs a number of conflicts of interest we have when providing our advisory services to you. Our Code of Ethics is designed to ensure that we meet our fiduciary obligations to you and to foster a culture of compliance throughout our firm. The Code of Ethics sets forth certain standards of conduct and addresses conflicts of interest among Commonwealth and its employees, agents, advisors, and advisory clients.

Our Code of Ethics is designed to help us detect and prevent violations of securities laws and to help ensure that we keep your interests first at all times. We distribute our Code of Ethics to each supervised person at Commonwealth at the time of their initial affiliation with our firm, we make sure it remains available to each supervised person for as long as they remain associated with our firm, and we ensure that updates to our Code of Ethics are communicated to each supervised person as changes are made.



We will provide a copy of our Code of Ethics to any client or prospective client upon request.

Commonwealth and its advisors often invest in the same securities that we recommend to clients and also recommend securities to, and buy and sell securities for, client accounts at or about the same time we buy or sell the same securities for our own accounts. These activities create a conflict of interest between us and our clients. Commonwealth policy prohibits “trading ahead” of clients’ transactions to the detriment of clients. When Commonwealth and its advisors are purchasing or selling securities for their own accounts, priority will be given to client transactions, or trades will be aggregated together to obtain an average execution price for the benefit of all parties. Commonwealth has implemented surveillance and exception reports that are designed to identify and correct situations in which firm or advisor transactions are placed ahead of client transactions to the detriment of clients.

### **Review of Accounts**

Advisors providing continuous and regular investment advice or investment supervisory services to clients will review client portfolios and contact clients at least annually, or as agreed upon by the client, for conformity with the respective portfolio selection’s investment strategies, client’s specific investment objectives, changes in the client’s financial condition, and any reasonable restrictions imposed by the client as to specific assets or types of assets to be included or excluded from client portfolios.

Clients who participate in Commonwealth’s wrap fee programs select one or more portfolio managers and model strategies that are reasonably designed to conform to the client’s individual financial condition, investment objectives, and long-term goals. Once clients select a particular model portfolio, the selected portfolio manager will automatically rebalance or reallocate the client’s assets in a manner consistent with the objectives and risk tolerance of the chosen model portfolio. The advisor will periodically review the client’s accounts and discuss any relevant specifics involving the portfolio manager’s ongoing management of the client’s assets during the regular discussions or meetings between the advisor and the client.

### **Client Referrals and Other Compensation**

**Other Compensation Received from Product Sponsors.** Through our national network of advisors, Commonwealth offers access to a broad selection of securities products, including mutual funds, variable insurance products, 529 college savings plans, direct participation programs, health savings accounts, donor-advised funds, structured products, and nontraded alternative investments (“Sponsor Companies”). These companies often pay the travel, meals, and lodging expenses for advisors to attend educational programs and due diligence meetings designed to help advisors be more knowledgeable about those companies’ products, operations, and management. These companies also often provide other forms of compensation to advisors relating to the sale and distribution of their products, including merchandise, gifts, prizes, and entertainment, such as tickets to sporting events and leisure activities, as well as payment or reimbursement for the costs of business development expenses, client seminars, client appreciation events, software, and marketing materials designed to help promote the advisor’s business.

The financial support, marketing support, participation in due diligence meetings and educational activities, and gifts and entertainment received by advisors that are paid for by Sponsor Companies create a conflict of interest for advisors who receive this compensation because they incentivize our advisors to focus more on or otherwise recommend or promote the products of those Sponsor Companies that provide this compensation to the advisor over those that do not. These activities are reviewed, and require approval, by Commonwealth.

In addition to the support that Sponsor Companies provide directly to advisors, Commonwealth receives additional compensation from certain product sponsors, including open- and closed-end mutual fund, ETF, UIT, insurance, and private fund companies (“Core Partners”), in the form of annual payments, typically paid in quarterly installments, directly from these companies. This compensation is in addition to the customary commissions, 12b-1 fees, distribution fees, and other fees that are paid to Commonwealth by these Core Partners and constitutes a conflict of interest. Most compensation is a direct payment but in certain instances, indirect compensation is received in the form of reduced or waived transaction costs. The annual payments are made from the Core Partner’s or an affiliate’s own assets and not from investor



assets. No portion of the annual payments made by Core Partners to Commonwealth is paid from brokerage commissions generated by the purchases of any specific investment. In exchange for the annual payments it receives from its Core Partners, Commonwealth will provide a variety of benefits to these companies. These benefits include, but are not limited to, direct access to Commonwealth's senior leadership, research, and product support staff; invitations to Commonwealth-sponsored meetings and events, which include direct access to advisors; ability to post product marketing and educational materials to Commonwealth's internal web portal used by advisors; access to Commonwealth's proprietary investment models, research, and analysis; and contact information for advisors.

The existence of the additional benefits provided by Commonwealth to Core Partners, in exchange for the annual payments these Core Partners provide, creates a conflict of interest for clients because Commonwealth or your advisor is more likely to recommend or promote the products of Core Partners that make such payments to Commonwealth over those product sponsors that do not. However, none of the annual payments received by Commonwealth from Core Partners is paid to or shared with any advisor who sells a Core Partner's products. Advisors do not receive a greater or lesser commission or advisory fee for sales of these sponsors' products for which Commonwealth receives annual payments.

Additional information describing the support and annual payments provided by Core Partners to Commonwealth is provided in the Revenue Sharing Disclosure, which is available on its website at [www.commonwealth.com/for-clients/disclosure/revenue-sharing](http://www.commonwealth.com/for-clients/disclosure/revenue-sharing).

**Investment Adviser/Asset Management Programs.** Commonwealth and/or its advisors receive reimbursements, marketing and distribution allowances, business and client development, educational enhancement, due diligence fees, gifts and entertainment, and other compensation ("additional compensation") directly from third-party investment advisory program sponsors (collectively, "Program Sponsors") based on the amount of client deposits and/or client assets under management with the Program Sponsors. This additional compensation is provided to Commonwealth and/or the advisor as an incentive to promote the sale of the Program Sponsor's products or services.

In all cases, such reimbursements, marketing allowances, or other compensation will be paid to Commonwealth and/or the advisor from the Program Sponsor's own resources and not from client funds or assets. Program Sponsors may also opt to pay Commonwealth a quarterly fee based upon deposits or AUM and/or some combination thereof on an annual basis based upon certain allowable assets.

These payments to Commonwealth and/or its advisors present a conflict of interest because they provide a financial incentive for Commonwealth or its advisors to recommend clients use a particular Program Sponsor that provides this additional compensation over other programs that do not provide this additional compensation. Clients are urged to read and consider the contents of this Brochure carefully (and the brochures of any other Program Sponsors, as applicable) and to inquire about Commonwealth and their advisor's various sources of compensation and conflicts of interest in making a fair and reasonable assessment of the fees and charges clients will pay for the services rendered by Commonwealth and their advisor. Further information about Commonwealth's and your advisor's sources of compensation and conflicts of interest is described in this Brochure.

**Other Payments to Commonwealth Advisors.** In addition to receiving asset-based fees in their capacity as an investment adviser or Promoter, advisors receive reimbursements or marketing allowances for marketing expenses and business development costs they incur. Some third-party asset managers provide advisors with model management consultative services that use the asset manager's funds. In addition, advisors receive invitations to conferences and meetings that are sponsored by third-party firms that offer managed account or advisory programs or services to the advisor. Portfolio strategists, investment managers, and product manufacturers typically contribute to the cost of the conferences and meetings, are identified as a sponsor of the conference or meeting, and often have the opportunity to promote their products, programs, and services directly to the financial advisor. Additionally, the advisor's travel-related costs and expenses, meals, and entertainment are usually paid for or subsidized by the firms. These benefits and indirect payments to advisors present a conflict of interest because they provide a financial incentive for advisors to recommend clients use a particular





managed account program or advisory service that offers these payments and opportunities to the advisor over other managed account or advisory programs that do not offer such payments or opportunities to the advisor.

Commonwealth offers your advisor one or more forms of financial benefits based on your advisor's total assets under advisement held at Commonwealth or in PPS Program accounts and/or for transitioning from another firm to Commonwealth. The types of financial benefits that your advisor receives from Commonwealth include, but may not be limited to, forgivable or unforgivable loans provided at below-market rates; debt or equity ownership investments in your advisor's business; increased payouts; and discounts or waivers on transaction, platform, and account fees, technology fees, research package fees, financial planning software fees, administrative fees, brokerage account fees, account transfer fees, licensing and insurance costs, and the cost of attending conferences and events. If your advisor is newly associated with Commonwealth, these benefits are commonly in the form of forgivable loans that are forgiven over a multiyear term subject to continued affiliation with Commonwealth and based on the amount of total assets they manage at Commonwealth or are held at NFS as of a milestone date. Some advisors who received a forgivable loan pre-May 2020 also have production targets that incentivize them to encourage more trading and the purchase of additional investments so the loan will be forgiven by Commonwealth. These financial benefits, which can be significant to an advisor, present a conflict of interest because they provide a financial incentive for your advisor to select or maintain a business relationship with Commonwealth as a broker/dealer, investment adviser, or service and support provider for your accounts over other firms that may not provide your advisor similar financial benefits. They also provide a financial incentive for your advisor to recommend that a client open and maintain accounts with Commonwealth and its clearing firm NFS, and/or use PPS programs over other programs available through Commonwealth.

Clients are urged to read and consider the contents of this Brochure carefully and to inquire about Commonwealth's or their advisor's various sources of compensation and conflicts of interest in making a fair and reasonable assessment of the fees and charges clients will pay for the services rendered by Commonwealth and their advisor. Further information about Commonwealth's and your advisor's sources of compensation and conflicts of interest is described in this Brochure.

**Payments to Commonwealth.** Consistent with prudent product approval practices, Commonwealth conducts or causes to be conducted a due diligence analysis of Sponsor Companies prior to making them available to the public through its advisors. Commonwealth receives due diligence fees, distribution allowances, and other payments from certain Sponsor Companies. This compensation is in addition to the compensation Commonwealth receives from its Core Partners discussed above. Although the arrangements Commonwealth has with Sponsor Companies vary, certain Sponsor Companies pay it additional compensation for marketing expenses, distribution allowances, due diligence, or other compensation of either up to 70 basis points (0.7 percent) annually on deposits or assets held at the Sponsor Company, or up to 200 basis points (2 percent) on the gross amount of each sale, depending on the product. These additional payments are paid to and retained by Commonwealth, and none of these additional payments are paid to or shared with any advisor. Even though these payments are not shared with advisors, the receipt of these payments from Sponsor Companies creates a conflict of interest for clients because Commonwealth may choose to make available to clients those Sponsor Companies that provide these payments over those Sponsor Companies that do not make such payments to Commonwealth.

As also discussed elsewhere in this Brochure, Commonwealth uses NFS as its clearing and custody firm for substantially all of its PPS managed accounts. Commonwealth's clearing and business relationship with NFS provides Commonwealth's broker/dealer with substantial economic benefits by using itself as the broker/dealer and NFS as the clearing firm for its PPS Program accounts rather than an unaffiliated broker/dealer or other clearing broker/dealer.

For example, Commonwealth assesses transaction charges to offset the asset-based fees and other fees it pays to its clearing broker/dealer and to generate additional revenue for Commonwealth. Additionally, Commonwealth receives continuous and considerable revenue-sharing payments from NFS that are





derived from certain types of positions and assets in client accounts held at NFS. In particular, Commonwealth receives substantial monthly revenue-sharing payments from NFS in connection with the cash sweep program and based on client assets held by Commonwealth with NFS in Fidelity money market sweep funds, non-Fidelity NTF funds that participate in Fidelity's NTF program, and non-Fidelity TF funds that participate in Fidelity's TF program. In addition, NFS credits Commonwealth a substantial portion of margin interest income that NFS receives from margin account balances. Commonwealth also maintains a Core Account Sweep Program with NFS. This program creates substantial financial benefits for Commonwealth as discussed in Item 12 in Part 2A of this Brochure. This additional compensation received by Commonwealth in its broker/dealer capacity creates a significant conflict of interest with clients because Commonwealth has a substantial economic incentive to use NFS as its clearing firm for trade execution and custody over other firms that do not or would not revenue share with Commonwealth. Additionally, by using itself as the broker/dealer for its PPS Program accounts, Commonwealth may be unable to achieve the most favorable execution for client transactions, which may cost clients more money. Clients are urged to read and consider the contents of this Brochure carefully and to inquire about Commonwealth's and the advisor's various sources of compensation and conflicts of interest in making a fair and reasonable assessment of the fees and charges clients will pay for the services rendered by Commonwealth and their advisor.

Additionally, NFS offers an NTF program to Commonwealth. Participating mutual fund sponsors pay a fee to NFS to participate in the NTF program, and a substantial portion of this fee is shared with Commonwealth. None of these additional payments are paid to any advisors who sell NTF funds. NTF mutual funds may be purchased within an investment advisory account at no charge to the client. In addition, Fidelity sponsored ETFs are available on a no transaction fee basis. Clients, however, should be aware that funds available through the NTF program often contain higher internal expenses than mutual funds that do not participate in the NTF program. Commonwealth's receipt of a substantial portion of the fees associated with the NTF program creates a conflict of interest because Commonwealth has an incentive to make available or to recommend the various NTF classes of mutual funds that provide this additional compensation to Commonwealth over other mutual fund share classes of the same fund that do not make such payments to NFS to share with Commonwealth.

Although NTF funds do not assess transaction charges, most NTF funds have higher internal expenses than funds that do not participate in an NTF program. These higher internal fund expenses are assessed to investors who purchase or hold NTF funds. A portion of these fees are paid to Commonwealth by NFS. Depending upon the frequency of trading and holding periods, NTF funds may cost you more, or may cost Commonwealth or your advisor less, than mutual funds that assess transaction charges but have lower internal expenses. In addition, the higher internal expenses charged to clients who hold NTF funds will adversely affect the long-term performance of their account when compared with share classes of the same fund that assess lower internal expenses.

For those Commonwealth advisory programs that assess transaction charges to clients or to Commonwealth or the advisor, a conflict of interest exists because Commonwealth and your advisor have a financial incentive to recommend or select NTF funds that do not assess transaction charges but cost you more in internal expenses than funds that do assess transaction charges but cost you less in internal expenses. In addition to reading this Brochure carefully, clients are urged to inquire whether lower-cost share classes are available and/or appropriate for their account in consideration of their expected investment holding periods, amounts invested, and anticipated trading frequency. Further information regarding fees and charges assessed by a mutual fund or ETF is available in the appropriate prospectus.

### **Core Account Sweep Programs**

The Core Account Sweep Programs are the core account investment vehicles used to hold your cash balances while awaiting reinvestment for eligible accounts. The Programs create conflicts of interest and substantial financial benefits for Commonwealth and NFS. Please see Item 12 of Part 2A of this Brochure for a detailed description of the compensation and associated conflicts that apply to clients who participate in the Program.



### **Nonpurpose Loan Program**

Commonwealth offers a nonpurpose loan (“NPL”) program that enables clients to collateralize certain accounts to obtain secured loans through NFS or banking institutions that participate in the program, including Tri-State Bank and Goldman Sachs Bank (collectively, “Program Participant”). The NPL program presents conflicts of interest. Commonwealth and advisors have an interest in continuing to receive investment advisory fees, which creates an incentive to recommend that clients maintain their assets at Commonwealth and use the NPL program to access funds rather than liquidate assets in the account. Because Commonwealth and advisors are compensated primarily through advisory fees paid on client accounts, there is an incentive to manage an account serving as collateral for a loan in a manner that will preserve sufficient collateral value to support the loan and avoid a bank call. In addition, Commonwealth is compensated by the program bank an amount ranging from 0 to 50 basis points of the interest paid to the Program Participant by the borrower. Interest is based on the amount of the outstanding loan. This compensation to Commonwealth varies; therefore, Commonwealth can earn more or less depending on the Program Participant selected by the client/borrower. This compensation is a conflict of interest because Commonwealth has a financial incentive for the client to select a Program Participant that pays Commonwealth more. Commonwealth does not share this compensation with its advisors; therefore, an advisor does not have a financial incentive if one Program Participant is selected over another. Clients are not required to use the Program Participants in the NPL program and can work directly with other banks to negotiate loan terms or obtain other financing arrangement.

### **Commonwealth as Promoter**

Commonwealth and your advisor may serve as Promoters for a variety of third-party investment advisers with respect to some or all of your assets. In such cases, Commonwealth and your advisor are compensated by these third-party investment advisers for referring your advisory business to them. This compensation generally takes the form of the third-party investment adviser sharing with Commonwealth and the advisor a percentage of the advisory fee the third-party investment adviser charges you. In some cases, these investment advisers will increase the advisory fee you would otherwise pay to the investment adviser if you engaged them directly. You will receive a Disclosure Statement that includes, among other things, a description of the compensation paid or to be paid to Commonwealth and your advisor as a Promoter. Commonwealth and your advisor, therefore, have a conflict of interest to refer clients to those third-party investment advisers who pay referral fees to Commonwealth or your advisor rather than those who don't. Additionally, Commonwealth and your advisor have a conflict of interest to refer clients to those third-party investment advisers who pay higher referral fees over those who pay lower referral fees. Commonwealth performs reasonable due diligence on these third-party investment advisers on an initial and ongoing basis.

In some cases, Commonwealth and/or your advisor receive training and educational support, marketing support, enhanced service, invitations to attend conferences or meetings, or some other economic benefit that is in addition to our receipt of the referral fee discussed above from a third-party investment adviser to whom we have referred your advisory business. This support or other economic benefit will be paid from the third-party investment adviser's own funds and not from client funds. Commonwealth and your advisor have a conflict of interest to favor referring your advisory business to those third-party investment advisers that provide such additional compensation over those that do not.

### **Commonwealth's Use of Promoters**

Commonwealth has several programs where prospective clients are referred to Commonwealth; the Commonwealth Alliance Program (“CAP”), the Strategic Alliance Program (“SAP”), lead generation programs and bank networking arrangements.

CAP is a referral program designed to compensate outside professionals or firms, such as attorneys, accountants, or other broker/dealers and investment advisers for referring your advisory business to Commonwealth and your advisor. These professionals or firms are known as Promoters. If your advisory account is referred by a Promoter to Commonwealth or your advisor, Commonwealth and your advisor will generally pay a portion of the ongoing advisory fee you pay us to the Promoter, typically for as long as you maintain an advisory relationship with us, to compensate the Promoter for the referral.

Commonwealth will not charge a client who is referred to Commonwealth by a Promoter any amount for



the cost of obtaining the client that is in addition to the fee normally charged by Commonwealth for its investment advisory services. The amount of this compensation, however, may be more than what the Promoter would receive if the client participated in our other programs or paid separately for investment advice, brokerage, and other services. The Promoter, therefore, has a financial incentive to recommend one or more of Commonwealth's wrap fee programs over other programs or services, including nonadvisory programs and services, that may be available to a client for which the Promoter would not receive referral compensation.

Commonwealth also permits the use of certain approved lead generation programs. In these programs, the advisor pays fees to the lead generation program based on the agreement signed between the lead generation program provider and the advisor. The lead generation program provider is required to sign an agreement with Commonwealth outlining their duties under Advisers Act Rule 206(4)-1, including, but not limited to, the delivery of the Disclosure Statement to prospective clients at the time of referral.

In addition to CAP, Commonwealth also permits advisors and staff members associated with the firm to refer clients to other advisors of Commonwealth. This program, known as SAP, operates under substantially similar requirements as CAP.

Commonwealth also maintains networking arrangements with certain financial institutions (generally banks and credit unions) that may also refer clients to various advisors. In exchange for the referrals, those institutions also receive a portion of ongoing advisory fees charged by Commonwealth.

All Promoter arrangements are disclosed to clients at the time of the promotion via execution of a Disclosure Statement that outlines whether Promoter is a client of Commonwealth and the advisor, the compensation that will be paid to Promoter by Commonwealth and your advisor, a description of any material conflicts of interest on the part of Promoter, language that the promotion may not be representative of everyone's experience and to seek more information about other's feedback, and language that the promotion is not a guarantee of future results.

### **Financial Information**

Some advisors who provide Wealth Management Consulting or Retirement Plan Consulting services to clients may require prepayment of more than \$1,200 in fees six (6) months or more in advance. Commonwealth also maintains custody of certain client assets and in certain instances, as defined in SEC Rule 206(4)-2. Additionally, pursuant to the trading authorization granted by Commonwealth managed account clients to Commonwealth and their advisor, Commonwealth has discretionary trading authority over the funds and securities of clients.

Commonwealth has no financial commitment that would impair its ability to meet its contractual and fiduciary commitments to clients, nor has Commonwealth been the subject of a bankruptcy proceeding.



## Part 2B: Brochure Supplements for PPS Select Programs Commonwealth Financial Network®

March 28, 2024

### Brochure Supplement

#### **W. Bradford McMillan PPS Select Program(s)**

29 Sawyer Road  
Waltham, MA 02453-3483  
Toll-Free: 800.237.0081  
Phone: 781.736.0700  
Main Fax: 781.736.0793

**This brochure supplement provides information about W. Bradford McMillan that supplements the Commonwealth Financial Network® (“Commonwealth”) Brochure. You should have received a copy of that Brochure. Please call 800.237.0081 or email [FormADVPart2@commonwealth.com](mailto:FormADVPart2@commonwealth.com) if you did not receive Commonwealth’s Brochure or if you have questions about the contents of this supplement.**

Additional information about W. Bradford McMillan is available on the SEC’s website at [adviserinfo.sec.gov](http://adviserinfo.sec.gov).



## Educational Background and Business Experience

### Year of Birth:

1965

### Formal Education After High School:

Name of School	Degree Obtained	Year Started	Year Ended
Dartmouth College	Bachelor of Arts	1983	1987
Massachusetts Institute of Technology	Master of Science in Real Estate Development	1991	1992
Boston College	Master of Science in Finance	2003	2006

### Business Background:

Name of Company	Position Held	Year Started	Year Ended
Commonwealth	Managing Principal and CIO	2018	Present
Commonwealth	SVP and Chief Investment Officer	2014	2018

### Designations:

**CFA® (Chartered Financial Analyst®):** To obtain the CFA® designation, your advisor had to complete three levels of a self-study program, each requiring 250 hours of study, and pass a closed-book exam for each level. Additionally, the advisor had to demonstrate either possession of an undergraduate degree and four years of professional experience involving investment decision-making or four years of qualified work experience (full-time, but not necessarily investment related).

**CAIA (Chartered Alternative Investment Analyst):** The CAIA charter, recognized globally, is administered by the Chartered Alternative Investment Analyst Association and requires a comprehensive understanding of core and advanced concepts regarding alternative investments, structures, and ethical obligations. To qualify for the CAIA charter, finance professionals must complete a self-directed, comprehensive course of study on risk-return attributes of institutional-quality alternative assets; pass both the Level I and Level II CAIA examinations at global, proctored testing centers; attest annually to the terms of the Member Agreement; and hold a U.S. bachelor's degree (or equivalent), plus have at least one year of professional experience or have four years of professional experience. Professional experience includes full-time employment in a professional capacity within the regulatory, banking, financial, or related fields. Once a qualified candidate completes the CAIA program, they may apply for CAIA membership and the right to use the CAIA designation, providing an opportunity to access ongoing educational opportunities.

## Disciplinary Information

W. Bradford McMillan does not have any material disciplinary history.

## Outside Business Activities

W. Bradford McMillan has no outside business activities to report.

## Additional Compensation

W. Bradford McMillan receives an economic benefit from persons other than clients for providing advisory services.

Many of the companies that provide Commonwealth access to their products and programs provide Commonwealth personnel with opportunities to receive additional compensation in the form of payment for travel-related costs and expenses for attending business meetings and conferences, as well as various forms of gifts and entertainment.



The Investment Management and Research team uses independent, quantitative, and qualitative criteria in its PPS Select investment selection process, without regard to whether a particular product sponsor has made or makes additional compensation payments to Commonwealth or its agents and employees. Because many product sponsors included on Commonwealth's recommended list are among the largest and most widely used product sponsors in the industry, it is not uncommon for Commonwealth or its agents and employees to receive additional compensation from these product sponsors. Under no circumstances are the products or services provided by sponsors considered for inclusion in the PPS Select programs because of, or in any way in relationship to, the additional compensation that Commonwealth or its agents and employees receive from product sponsors.

### Supervision

Commonwealth's system for supervision of its supervised persons centers on delegating functions to designated supervisors located in Commonwealth's home offices in San Diego, California, and Waltham, Massachusetts. These designated supervisors are collectively responsible for ensuring that all of Commonwealth's supervised persons are in compliance with applicable SEC and state rules and regulations and Commonwealth's policies and procedures. Through the use of a wide variety of surveillance systems, ongoing training and education, and supervisory controls, the designated supervisors perform myriad supervisory functions on a regular basis that are reasonably designed to supervise Commonwealth's supervised persons. Commonwealth routinely monitors the adequacy and effectiveness of its policies, procedures, and supervisory controls.

The individual with overall supervisory responsibility for W. Bradford McMillan is:

Trap Kloman  
President and Chief Operating Officer  
781.736.0700





March 28, 2024

## Brochure Supplement

### **Brian Price PPS Select Program(s)**

29 Sawyer Road  
Waltham, MA 02453-3483  
Toll-Free: 800.237.0081  
Phone: 781.736.0700  
Main Fax: 781.736.0793

**This brochure supplement provides information about Brian Price that supplements the Commonwealth Financial Network® (“Commonwealth”) Brochure. You should have received a copy of that Brochure. Please call 800.237.0081 or email [FormADVPart2@commonwealth.com](mailto:FormADVPart2@commonwealth.com) if you did not receive Commonwealth’s Brochure or if you have questions about the contents of this supplement.**

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



## Educational Background and Business Experience

### Year of Birth:

1976

### Formal Education After High School:

Name of School	Degree Obtained	Year Started	Year Ended
Georgetown University	Bachelor of Arts	1994	1998

### Business Background:

Name of Company	Position Held	Year Started	Year Ended
Commonwealth	Managing Principal, Investment Management and Research	2022	Present
Commonwealth	SVP, Investment Management and Research	2018	2022
Commonwealth	VP, Investment Management and Research	2014	2018

### Designations:

**CFA® (Chartered Financial Analyst®):** To obtain the CFA® designation, your advisor had to complete three levels of a self-study program, each requiring 250 hours of study, and pass a closed-book exam for each level. Additionally, the advisor had to demonstrate either possession of an undergraduate degree and four years of professional experience involving investment decision-making or four years of qualified work experience (full-time, but not necessarily investment related).

## Disciplinary Information

Brian Price does not have any material disciplinary history.

## Outside Business Activities

In addition to being an employee of the Investment Management and Research team, Brian Price is also a registered representative of Commonwealth's broker/dealer. As Brian's broker/dealer, Commonwealth provides brokerage execution services for the accounts of advisory clients participating in the Preferred Portfolio Services® ("PPS") programs. Brian makes securities recommendations to clients (or, in the case of discretionary services, makes investment decisions for clients) regarding Commonwealth's investment advisory programs. Further, Brian purchases and sells securities and investment products for his own accounts that are also recommended to advisory clients, which creates a conflict of interest. Commonwealth policy prohibits its supervised persons from "trading ahead" of client transactions. When advisors are purchasing or selling securities for their own accounts, priority will be given to client transactions. Commonwealth has implemented surveillance and exception reports that are reasonably designed to identify and correct situations in which firm or advisor transactions are placed ahead of client transactions.

## Additional Compensation

Brian Price receives an economic benefit from persons other than clients for providing advisory services.

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The individual with overall supervisory responsibility for Brian Price is:

Brad McMillan, Managing Principal, Chief Investment Officer  
781.736.0700



March 28, 2024

## Brochure Supplement

### **James McAllister PPS Select Equity SMA**

29 Sawyer Road  
Waltham, MA 02453-3483  
Toll-Free: 800.237.0081  
Phone: 781.736.0700  
Main Fax: 781.736.0793

**This brochure supplement provides information about James McAllister that supplements the Commonwealth Financial Network® (“Commonwealth”) Brochure. You should have received a copy of that Brochure. Please call 800.237.0081 or email [FormADVPart2@commonwealth.com](mailto:FormADVPart2@commonwealth.com) if you did not receive Commonwealth’s Brochure or if you have questions about the contents of this supplement.**



## Educational Background and Business Experience

### Year of Birth:

1972

### Formal Education After High School:

Name of School	Degree Obtained	Year Started	Year Ended
Lehigh University	Bachelor of Science	1990	1994

### Business Background:

Name of Company	Position Held	Year Started	Year Ended
Commonwealth	VP, Equity Research	2020	Present
Commonwealth	Director, Equity Research	2014	2020

### Designations:

**CFA® (Chartered Financial Analyst®):** To obtain the CFA® designation, your advisor had to complete three levels of a self-study program, each requiring 250 hours of study, and pass a closed-book exam for each level. Additionally, the advisor had to demonstrate either possession of an undergraduate degree and four years of professional experience involving investment decision-making or four years of qualified work experience (full-time, but not necessarily investment related).

## Disciplinary Information

James McAllister does not have any material disciplinary history.

## Outside Business Activities

James McAllister has no outside business activities to report.

## Additional Compensation

James McAllister receives an economic benefit from persons other than clients for providing advisory services.

Many of the companies that provide Commonwealth access to their products and programs provide Commonwealth personnel with opportunities to receive additional compensation in the form of payment for travel-related costs and expenses for attending business meetings and conferences, as well as various forms of gifts and entertainment.

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## Supervision

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The individual with overall supervisory responsibility for James McAllister is:

Brad McMillan, Managing Principal, Chief Investment Officer  
781.736.0700





March 28, 2024

## Brochure Supplement

### **Peter Essele PPS Select Program(s)**

29 Sawyer Road  
Waltham, MA 02453-3483  
Toll-Free: 800.237.0081  
Phone: 781.736.0700  
Main Fax: 781.736.0793

**This brochure supplement provides information about Peter Essele that supplements the Commonwealth Financial Network® (“Commonwealth”) Brochure. You should have received a copy of that Brochure. Please call 800.237.0081 or email [FormADVPart2@commonwealth.com](mailto:FormADVPart2@commonwealth.com) if you did not receive Commonwealth’s Brochure or if you have questions about the contents of this supplement.**

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



## Educational Background and Business Experience

### Year of Birth:

1982

### Formal Education After High School:

Name of School	Degree Obtained	Year Started	Year Ended
Union College	Bachelor of Science in Economics	2000	2004

### Business Background:

Name of Company	Position Held	Year Started	Year Ended
Commonwealth	SVP, Investment Management and Research	2022	Present
Commonwealth	VP, Investment Management and Research	2019	2022
Commonwealth	Director, Investment Management and Research	2018	2019
Commonwealth	Manager, Investment Management and Research	2017	2018
Commonwealth	Portfolio Manager	2014	2017

### Designations:

**CAIA (Chartered Alternative Investment Analyst):** The CAIA charter, recognized globally, is administered by the Chartered Alternative Investment Analyst Association and requires a comprehensive understanding of core and advanced concepts regarding alternative investments, structures, and ethical obligations. To qualify for the CAIA charter, finance professionals must complete a self-directed, comprehensive course of study on risk-return attributes of institutional quality alternative assets; pass both the Level I and Level II CAIA examinations at global, proctored testing centers; attest annually to the terms of the Member Agreement; and hold a U.S. bachelor's degree (or equivalent) plus have at least one year of professional experience or have four years of professional experience. Professional experience includes full-time employment in a professional capacity within the regulatory, banking, financial, or related fields. Once a qualified candidate completes the CAIA program, they may apply for CAIA membership and the right to use the CAIA designation, providing an opportunity to access ongoing educational opportunities.

**CFA® (Chartered Financial Analyst®):** To obtain the CFA® designation, your advisor had to complete three levels of a self-study program, each requiring 250 hours of study, and pass a closed-book exam for each level. Additionally, the advisor had to demonstrate either possession of an undergraduate degree and four years of professional experience involving investment decision-making or four years of qualified work experience (full-time, but not necessarily investment related).

**CFP® (CERTIFIED FINANCIAL PLANNER™):** To obtain the CFP® certification, your advisor had to complete a CFP Board-registered program in financial planning or hold one of the following recognized designations: Certified Public Accountant (CPA), Chartered Financial Consultant® (ChFC®), Chartered Life Underwriter® (CLU®), Chartered Financial Analyst® (CFA®), PhD in business or economics, Doctor of Business Administration, or an attorney's license.

## Disciplinary Information

Peter Essele does not have any material disciplinary history.

## Outside Business Activities

In addition to being an employee of the Investment Management and Research team, Peter Essele is also a registered representative of Commonwealth's broker/dealer. As Peter's broker/dealer, Commonwealth provides brokerage execution services for the accounts of advisory clients participating in



the Preferred Portfolio Services® (“PPS”) programs. Peter makes securities recommendations to clients (or, in the case of discretionary services, makes investment decisions for clients) regarding Commonwealth's investment advisory programs. Further, Peter purchases and sells securities and investment products for his own accounts that are also recommended to advisory clients, which creates a conflict of interest. Commonwealth policy prohibits its supervised persons from “trading ahead” of client transactions. When advisors are purchasing or selling securities for their own accounts, priority will be given to client transactions. Commonwealth has implemented surveillance and exception reports that are reasonably designed to identify and correct situations in which firm or advisor transactions are placed ahead of client transactions.

### Additional Compensation

Peter Essele receives an economic benefit from persons other than clients for providing advisory services.

Many of the companies that provide Commonwealth access to their products and programs provide Commonwealth personnel with opportunities to receive additional compensation in the form of payment for travel-related costs and expenses for attending business meetings and conferences, as well as various forms of gifts and entertainment.

The Investment Management and Research team uses independent, quantitative, and qualitative criteria in its PPS Select investment selection process, without regard to whether a particular product sponsor has made or makes additional compensation payments to Commonwealth or its agents and employees. Because many product sponsors included on Commonwealth's recommended list are among the largest and most widely used product sponsors in the industry, it is not uncommon for Commonwealth or its agents and employees to receive additional compensation from these product sponsors. Under no circumstances are the products or services provided by sponsors considered for inclusion in the PPS Select programs because of, or in any way in relationship to, the additional compensation that Commonwealth or its agents and employees receive from product sponsors.

### Supervision

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The individual with overall supervisory responsibility for Peter Essele is:

Brad McMillan, Managing Principal, Chief Investment Officer  
781.736.0700



March 28, 2024

## Brochure Supplement

### **Erik Domolky** **PPS Select Fixed Income SMA**

29 Sawyer Road  
Waltham, MA 02453-3483  
Toll-Free: 800.237.0081  
Phone: 781.736.0700  
Main Fax: 781.736.0793

**This brochure supplement provides information about Erik Domolky that supplements the Commonwealth Financial Network® (“Commonwealth”) Brochure. You should have received a copy of that Brochure. Please call 800.237.0081 or email [FormADVPart2@commonwealth.com](mailto:FormADVPart2@commonwealth.com) if you did not receive Commonwealth’s Brochure or if you have questions about the contents of this supplement.**

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



## Educational Background and Business Experience

### Year of Birth:

1968

### Formal Education After High School:

Name of School	Degree Obtained	Year Started	Year Ended
Boston University	MBA	1995	2000
University of Massachusetts Amherst	Bachelor of Arts in Economics	1987	1991

### Business Background:

Name of Company	Position Held	Year Started	Year Ended
Commonwealth	Portfolio Manager	2023	Present
Commonwealth	Associate Portfolio Manager	2022	2023
Commonwealth	Sr. Fixed Income Trader	2020	2022
Commonwealth	Fixed Income Trader	2018	2020

## Disciplinary Information

Erik Domolky does not have any material disciplinary history.

## Outside Business Activities

In addition to being an employee of the Investment Management and Research team, Erik Domolky is also a registered representative of Commonwealth's broker/dealer. As Erik's broker/dealer, Commonwealth provides brokerage execution services for the accounts of advisory clients participating in the Preferred Portfolio Services® ("PPS") programs. Erik makes securities recommendations to clients (or, in the case of discretionary services, makes investment decisions for clients) regarding Commonwealth's investment advisory programs. Further, Erik purchases and sells securities and investment products for his own accounts that are also recommended to advisory clients, which creates a conflict of interest. Commonwealth policy prohibits its supervised persons from "trading ahead" of client transactions. When advisors are purchasing or selling securities for their own accounts, priority will be given to client transactions. Commonwealth has implemented surveillance and exception reports that are reasonably designed to identify and correct situations in which firm or advisor transactions are placed ahead of client transactions.

## Additional Compensation

Erik Domolky receives an economic benefit from persons other than clients for providing advisory services.

Many of the companies that provide Commonwealth access to their products and programs provide Commonwealth personnel with opportunities to receive additional compensation in the form of payment for travel-related costs and expenses for attending business meetings and conferences, as well as various forms of gifts and entertainment.

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## Supervision

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The individual with overall supervisory responsibility for Erik Domolky is:

Brad McMillan, Managing Principal, Chief Investment Officer  
781.736.0700





March 28, 2024

## Brochure Supplement

### **Chris Fasciano PPS Select Program(s)**

29 Sawyer Road  
Waltham, MA 02453-3483  
Toll-Free: 800.237.0081  
Phone: 781.736.0700  
Main Fax: 781.736.0793

**This brochure supplement provides information about Chris Fasciano that supplements the Commonwealth Financial Network® (“Commonwealth”) Brochure. You should have received a copy of that Brochure. Please call 800.237.0081 or email [FormADVPart2@commonwealth.com](mailto:FormADVPart2@commonwealth.com) if you did not receive Commonwealth’s Brochure or if you have questions about the contents of this supplement.**



## Educational Background and Business Experience

### Year of Birth:

1965

### Formal Education After High School:

Name of School	Degree Obtained	Year Started	Year Ended
UNC Kenan Flagler Business School	MBA	1989	1991
Bates College	Bachelor of Arts	1983	1987

### Business Background:

Name of Company	Position Held	Year Started	Year Ended
Commonwealth	Portfolio Manager	2014	Present

## Disciplinary Information

Chris Fasciano does not have any material disciplinary history.

## Outside Business Activities

Chris Fasciano has no outside business activities to report.

## Additional Compensation

Chris Fasciano receives an economic benefit from persons other than clients for providing advisory services.

Many of the companies that provide Commonwealth access to their products and programs provide Commonwealth personnel with opportunities to receive additional compensation in the form of payment for travel-related costs and expenses for attending business meetings and conferences, as well as various forms of gifts and entertainment.

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The individual with overall supervisory responsibility for Chris Fasciano is:

Brad McMillan, Managing Principal, Chief Investment Officer  
781.736.0700



March 28, 2024

## Brochure Supplement

### **Andrew Kitchings PPS Select Program(s)**

29 Sawyer Road  
Waltham, MA 02453-3483  
Toll-Free: 800.237.0081  
Phone: 781.736.0700  
Main Fax: 781.736.0793

**This brochure supplement provides information about Andrew Kitchings that supplements the Commonwealth Financial Network® (“Commonwealth”) Brochure. You should have received a copy of that Brochure. Please call 800.237.0081 or email [FormADVPart2@commonwealth.com](mailto:FormADVPart2@commonwealth.com) if you did not receive Commonwealth’s Brochure or if you have questions about the contents of this supplement.**

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



## Educational Background and Business Experience

### Year of Birth:

1982

### Formal Education After High School:

Name of School	Degree Obtained	Year Started	Year Ended
Emory University	Bachelor of Arts in Economics/Bachelor of Arts in History	2001	2005

### Business Background:

Name of Company	Position Held	Year Started	Year Ended
Commonwealth	Manager, Investment Due Diligence	2022	Present
Commonwealth	Portfolio Manager	2014	2022

### Designations:

**CAIA (Chartered Alternative Investment Analyst):** The CAIA charter, recognized globally, is administered by the Chartered Alternative Investment Analyst Association and requires a comprehensive understanding of core and advanced concepts regarding alternative investments, structures, and ethical obligations. To qualify for the CAIA charter, finance professionals must complete a self-directed, comprehensive course of study on risk-return attributes of institutional quality alternative assets; pass both the Level I and Level II CAIA examinations at global, proctored testing centers; attest annually to the terms of the Member Agreement; and hold a U.S. bachelor's degree (or equivalent) plus have at least one year of professional experience or have four years of professional experience. Professional experience includes full-time employment in a professional capacity within the regulatory, banking, financial, or related fields. Once a qualified candidate completes the CAIA program, they may apply for CAIA membership and the right to use the CAIA designation, providing an opportunity to access ongoing educational opportunities.

**CFA® (Chartered Financial Analyst®):** To obtain the CFA® designation, your advisor had to complete three levels of a self-study program, each requiring 250 hours of study, and pass a closed-book exam for each level. Additionally, the advisor had to demonstrate either possession of an undergraduate degree and four years of professional experience involving investment decision-making or four years of qualified work experience (full-time, but not necessarily investment related).

### Disciplinary Information

Andrew Kitchings does not have any material disciplinary history.

### Outside Business Activities

In addition to being an employee of the Investment Management and Research team, Andrew Kitchings is also a registered representative of Commonwealth's broker/dealer. As Andrew's broker/dealer, Commonwealth provides brokerage execution services for the accounts of advisory clients participating in the Preferred Portfolio Services® ("PPS") programs. Andrew makes securities recommendations to clients (or, in the case of discretionary services, makes investment decisions for clients) regarding Commonwealth's investment advisory programs. Further, Andrew purchases and sells securities and investment products for his own accounts that are also recommended to advisory clients, which creates a conflict of interest. Commonwealth policy prohibits its supervised persons from "trading ahead" of client transactions. When advisors are purchasing or selling securities for their own accounts, priority will be given to client transactions. Commonwealth has implemented surveillance and exception reports that are reasonably designed to identify and correct situations in which firm or advisor transactions are placed ahead of client transactions.



## Additional Compensation

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The individual with overall supervisory responsibility for Andrew Kitchings is:

Brad McMillan, Managing Principal, Chief Investment Officer  
781.736.0700