



## ASSET MANAGEMENT SERVICES

# PART 2A

# APPENDIX 1

## PROGRAM BROCHURE

Current as of March 31, 2023

**Commonwealth Financial Services, LLC**

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This brochure provides information about the qualifications and business practices of Commonwealth Financial Services, LLC. If you have any questions about the contents of this brochure, please contact us at (304) 422-3531. Commonwealth Financial Services, LLC is registered with the Securities and Exchange Commission (SEC) as a registered investment adviser. Registration does not imply any level of skill or training. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Commonwealth Financial Services, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 - Material Changes**

This Item discusses only specific material changes that are made to this Brochure and provides clients with a summary of such changes. This is an initial filing.

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## **Item 4 - Services, Fees and Compensation**

Commonwealth Financial Services, LLC is the sponsor of the Asset Management Services wrap fee program. Our wrap fee program allows you to pay a single fee ("Wrap Account Fee", "Wrap Fee", or "Account Fee") that covers advisory services, trade execution, custody, and other standard brokerage services.

### **Advisory Services**

In the Asset Management Services program, we offer highly customized and individualized investment strategy, crafted to focus on your specific goals and objectives. We provide this investment management service through accounts maintained at a qualified custodian recommended and selected by Commonwealth Financial Services.

We also offer Asset Management Services Program accounts with separate advisory fees and transaction charges ("Unwrapped Account"). As such, in addition to the quarterly account fee described below for advisory services, you will also pay separate per-trade transaction charges.

You must appoint CFS as your investment advisor of record on specified accounts (collectively, the "account"). The account consists only of separate account(s) held by qualified custodian(s) under your name. The qualified custodian(s) maintain physical custody of all funds and securities of the account but you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations) of the account.

CFS and your Advisory Representative do not act as custodians for any Asset Management Services Accounts. Generally, Charles Schwab & Co., Inc., Fidelity Institutional Wealth Services, or another qualified custodian maintains custody of funds and securities.

The account is managed by us based on your financial situation, investment objectives and risk tolerance. Your Advisory Representative monitors the account and provides advice regarding buying, selling, reinvesting or holding securities, cash or other investments in the account.

We need to obtain certain information from you to determine your financial situation and investment objectives. You are responsible for notifying us of any updates regarding your financial situation, risk tolerance or investment objective, although your Advisory Representative will contact you at least annually to discuss these matters. Your Advisory Representative is always reasonably available to consult with you regarding the status of your account. You have the ability to impose reasonable restrictions on your account, including the ability to instruct us not to purchase certain securities. You are responsible for notifying us if you wish to impose or modify existing investment restrictions.

It is important that you understand your Advisory Representative manages investments for other clients and can give them advice or take actions for his or her own personal accounts that is different from the advice provided to you or actions taken for you. We are not obligated to buy, sell, or recommend to you any security or other investment that we buy, sell, or recommend for any other clients or for our personal accounts.

Conflicts can arise in allocating investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we cannot lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

The client agreement between you and CFS can be canceled by either party at any time. However, services provided continue until written notice of termination is given to the other party. Termination is effective upon receiving notice, although transactions in progress will be completed in the normal course of business. If the client agreement is terminated within 5 business days of signing, you receive a full refund of any investment management fees already charged. If services are terminated, any prepaid, unearned management fees are calculated and promptly refunded based upon the number of days remaining in the billing period after the termination date. Terminating the agreement does not affect the liabilities or obligations of CFS, your Advisory Representative, or you arising out of transactions initiated prior to termination or the provision regarding arbitration. These liabilities, obligations and provisions survive any expiration or termination of the agreement. At termination, you have the exclusive responsibility to monitor the securities in the account; CFS and your Advisory Representative have no further obligation to act or provide investment services with respect to those assets.

#### ***Schwab's Brokerage Services***

In addition to our advisory services, the wrap fee program includes certain brokerage services of Charles Schwab & Co., Inc. ("Schwab") a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. We are independently owned and operated and not affiliated with Schwab. Schwab will act solely as a broker-dealer and not as an investment advisor to you. It will have no discretion over your account and will act solely on instructions it receives from us or you. Schwab has no responsibility for our services and undertakes no duty to you to monitor our management of your account or other services we provide to you. Schwab will hold your assets in a brokerage account and buy and sell securities and execute other transactions when we or you instruct them to do so. We do not open the account for you.

#### **Retirement Accounts**

There are additional fees relating to IRA and Qualified Retirement Plan accounts such as maintenance and termination fees. You will find these fees disclosed in the account application paperwork provided to you associated with these accounts.

Accordingly, you should review the Account Fee and the other fees outlined above to fully understand the total amount of fees you pay. Note that participation in the Program means your wrap fee covers management, administrative, transaction, and other costs associated with your account into one fee rather than paying for these services separately.

Depending upon the level of the Account Fee, your Advisor may receive more compensation:

- 1) as a result of your participation in the Program than if you participate in other programs that your Advisor offers.
- 2) if your Advisor charges you the Wrap Account Fee which wraps management, administrative and transaction costs into one fee rather than having you pay for these services separately.

As such, your Advisor could have a financial incentive to recommend the Program to you over other programs or services.

Advisory Representatives have the ability to purchase certain securities products outside of an advisory account, but which are held in the client's advisory account. Though these assets are not subject to the advisory account fee, you should be aware that the purchases are subject to commissions or loads, neither of which are paid to the Advisory Representative.

#### **Administrative Services Provided by Orion Advisor Services, LLC**

CFS has engaged Orion Advisor Services, LLC ("Orion") to utilize its technology platforms to support data

reconciliation, performance reporting, fee calculation and billing, research, client database maintenance, payable reports, website administration, models, trading platforms, and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, Orion has access to client accounts, but Orion does not serve as an investment advisor to CFS clients.

## **Program Costs**

### Fees for Asset Management Services Wrap Program

We charge a single asset-based fee for services covered by the wrap program. The maximum fee charged for the program is 3%. Fees are negotiated between You and our Advisory Representatives.

#### **Fee Schedule: Wrapped Account**

Negotiated Flat Rate Percentage of Assets Under Management—Quarterly in Advance, Period End Balance

You will pay a quarterly fee, in advance, based on the Period Ending Balance (PEB) of your account assets under management for the previous period as of the final day of that period. You will pay a quarterly fee, in advance, based on the Period Ending Balance (PEB) of your account assets under management for the previous period as of the final day of that period. Your initial fee will include fees billed in arrears based on the number of days that services were provided during the first billing period. PEB does not account for unpriced securities or days when the Account has a zero balance. CFS retains the right to change the basis upon which the management fee is calculated and/or the timing of billing. Any such change(s) will be effected under the terms and provisions of Section 21 (Amendment) of your Client Agreement. At its discretion, CFS and/or IAR may exclude certain assets from the calculation of management fees.

Management fees are automatically deducted from your account according to authorization provided in your Client Agreement. If fees are deducted from an account, clients agree to maintain cash in an account investment vehicle to pay for fees and any other charges. If a client has not maintained adequate cash in the account to pay fees or other charges, CFS reserves the right to direct the broker/dealer-custodian to liquidate a portion of the other account assets to cover those costs.

Depending on the investment services provided and on the custodian, assets in excess of a threshold amount (as determined from time to time by CFS) deposited into or withdrawn from the account by the client can be charged or refunded a pro-rated portion of the management fee based on the number of days during the billing period the assets were held in the account.

### Fees We Pay Schwab

In addition to compensating CFS for advisory services, the wrap fee you pay CFS allows us to pay for brokerage and execution services provided by Schwab.

### *For Transaction Based Pricing*

We do not charge our clients higher advisory fees based on their trading activity, but you should be aware that we have an incentive to limit our trading in your account(s) because we are charged for executed trades.

### Sub-Advisor Fees in the Asset Management Services Program

Fees charged by an outside money manager or sub-advisor will be fully disclosed to the client. Sub-advisory or money manager fees are paid from the management fee.

### Brokerage, Custodial and Clearing fees

Commissions and other transaction charges, and any charge relating to the custody of securities in the account are paid from the management fee CFS and its Advisory Representative do not receive any portion of such commissions or fees from the client or the broker/dealer-custodian.

## **Mutual Funds**

Please be aware that Account Fees are charged on all mutual fund shares that are designated as Program Investments, including shares on which you have previously paid a sales charge. Also, to the extent that cash used for investments in an account comes from redemptions of your other non-managed mutual fund investments, you should consider the cost, if any, of the sales charge(s) previously paid and redemption fees that would be incurred. Such redemption fees would be in addition to the Account Fee on those assets. Please be aware that such redemptions and exchanges between mutual funds that participate in the Program might have tax consequences, which should be discussed with your independent tax adviser.

You have the option to purchase shares of mutual funds outside of the Program directly from the mutual fund issuer, its principal underwriter or a distributor without purchasing the services of the Program or paying the Account Fee on such shares (but subject to any applicable sales charges). Certain mutual funds are offered to the public without a sales charge. In the case of mutual funds offered with a sales charge, the prevailing sales charge is determined by the mutual fund (as described in the mutual fund prospectus) and may be more or less than the applicable account fee.

### **Relative Cost of Wrap Fee Program**

A wrap fee is not based directly on the number of transactions in your account. Various factors influence the relative cost of our wrap fee program to you, including the cost of our investment advice, custody and brokerage services if you purchased them separately, the types of investments held in your account, and the frequency, type, and size of trades in your account. The program could cost you more or less than purchasing our investment advice and custody/brokerage services separately.

### **Fees and Costs Not Included**

Our wrap fee covers our advisory services and the brokerage services provided by Schwab (including custody of assets, equity trades, ETFs, and agency transactions in fixed income securities). As a result, we have an incentive to execute transactions for your account at Schwab.

Our wrap fee does not cover all fees and costs. The fees not included in the wrap fee include charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, fees (such as a commission or markup) for trades executed away from Schwab at another broker-dealer, wire transfer fees, and taxes on brokerage accounts and securities transactions.

## **Item 5 - Account Requirements and Types of Clients**

### **Types of Clients**

The Program is available to individuals (including high net worth individuals), banking or thrift institutions, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations, state and municipal governmental entities, as well as other business entities.

### **Minimum Account Size**

We do not impose a minimum account size.

## **Item 6 – Portfolio Manager Selection and Evaluation**

Your Advisory Representative is the sole portfolio manager available with respect to the Program. Because your Advisory Representative is the portfolio manager in this Program you acknowledge that you have chosen him or her to act in this capacity. Advisory Representatives are selected by their Firms based on various criteria

including experience.

## **Item 7 – Client Information Provided to Portfolio Managers**

Your personal identification, account and holdings data are disclosed to your Advisory Representative to enable him or her to help determine the Program Investments that are suitable for you.

Your Advisory Representative provides us with access to the following client related information: (i) account opening documents (which include, among other things, your investment objective, risk tolerance and any account restrictions you imposed on management of assets); (ii) your investment guidelines (if applicable); and (iii) reports relating to the performance of your account.

Please refer to CFS' Privacy Policy located on our website for further information.

## **Item 8 - Client Contact with Portfolio Managers**

### **Client-Advisor Relationship**

You are encouraged to contact your Advisory Representative with respect to any changes regarding your investment objectives, risk tolerance and requested restrictions with respect to management of your Program Investments. You should direct any questions that you have regarding the Program to your Advisory Representative.

## **Item 9 - Additional Information**

### **Disciplinary Information**

Not applicable. Neither we, nor any of our management personnel have been involved in any disciplinary events that are material to your evaluation of our programs or the integrity of our management.

### **Other Financial Industry Activities and Affiliations**

We do not have third-party affiliates, however, we engage in the business of selling insurance and fixed insurance products as an insurance agency licensed to do business in states where we have clients. See Form ADV part 2A Advisory Representative provided to you for further information regarding financial industry affiliations and any associated conflicts of interest.

### **Code of Ethics**

We have adopted a Code of Ethics (the "Code") to address securities-related conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes our policies and procedures developed to protect your interests in relation to the following topics:

- The duty at all times to place your interests first;
- The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the code of ethics and to avoid any actual or potential conflict of interest or any abuse of an employee's position of trust and responsibility;
- The principle that investment adviser personnel should not take inappropriate advantage of their positions;
- The fiduciary principle that information concerning the identity of security holdings and your financial circumstances is confidential; and
- The principle that independence in the investment decision-making process is paramount.



This response is only intended to provide you with a summary description of our Code of Ethics.

Please contact us for our Code of Ethics in its entirety for additional details. It is CFS' policy to prohibit agency cross transactions where representatives act as brokers for both buying and selling a single security between two different clients and are compensated through an agency commission or principal mark-up for the trades. Should this policy change, we will observe all rules and regulations in accordance with the disclosure and consent requirements of Section 206(3) of the *Advisers Act*. Additionally, we are aware that such transactions only occur if we ensure that we meet our duty of best execution for the client.

Individuals who are covered by our Code ("Access Persons") can buy or sell securities identical to those recommended to you for their personal accounts. In addition, any of our Related Person(s) may have an interest or position in securities which are recommended to you. Our Code requires Access Persons to report their personal securities holdings for review.

#### Participation or Interest in Client Transactions

Your Advisory Representative can recommend or buy and sell securities in which s/he or Related Persons' have a financial interest. Please see our Form ADV Part 2A for further details on these financial interests and associated conflicts of interest.

### **Brokerage Practices**

You are under no obligation to act on the recommendations of Commonwealth Financial Services and are free to select any broker/dealer or investment advisor you'd like to implement our recommendations. In other words, you are not *required* to work with us. However, if you want to hire us for our Asset Management Services Program, we are responsible for executing your account transactions and therefore responsible for attaining the best execution possible. Please note that we cannot promise or guarantee our brokerage platforms are the least expensive in the industry. There may be other platforms with lower costs.

When clients contract for our Asset Management Services Program, we require them to use particular broker/dealers recommended or approved by us. Please note that not all investment advisors require the use of particular broker/dealers. Some investment advisors permit clients to use any broker/dealer of the client's own choosing. In very rare cases, we may work with a client that wants to direct us to use a particular broker/dealer. In such cases, those clients must understand that we may be unable to effectively negotiate brokerage compensation on the client's behalf. When directing brokerage business, clients should consider whether the commission expenses and execution, clearance, and settlement capabilities that they obtain through their selected broker/ dealer(s) are adequately favorable in comparison to those that we would otherwise obtain for our clients. Clients with client-directed brokerage arrangements should also understand we may be limited in our trading ability (compared to platforms recommended by Commonwealth Financial Services) and may be required to execute client directed trades after trades are implemented through accounts at our preferred platforms. Clients are encouraged to discuss available alternatives with their Advisory Representative.

When selecting brokerage platforms for client accounts, we consider standard benefits that are available without cost to all investment advisor firms using the platform, including our firm. These benefits include, but are not necessarily limited to, the following products and services: receiving duplicate client statements and confirmations; research related products and tools; access to a trading desk serving CFS account participants; the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts; the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; and access to mutual funds with no transaction fees. Some of the products and services made available by a broker/dealer through their program may benefit CFS but may not benefit client accounts. These products or services may assist CFS in managing and administering client accounts, including accounts not maintained at the broker/dealer providing the benefit.

CFS receives additional services which can include assistance with transitioning assets to custodial platforms.

Without these arrangements, CFS might be compelled to purchase the same or similar services at its own expense. As a result of receiving such services for no additional cost, CFS may have an incentive to continue to use or expand the use of a custodian's services. CFS examines these potential conflicts of interest when it chooses to enter into a relationship with a custodian to determine that the relationship is in the best interests of CFS's clients and satisfies its client obligations, including its duty to seek best execution.

Our recommendation of broker/dealers will be partially based on past experiences, minimizing commissions and other costs as well as offerings or services the broker/dealer provides that Commonwealth Financial Services or client may require or find valuable such as online access.

### **Clearing and Custodial Arrangement**

Although we may permit our Advisory Representatives to use several different brokerage platforms and consider the overall services provided by those brokerage firms, we have material arrangements with some firms that create an incentive for us to recommend those firms over other broker/dealers. Some of the arrangements result in conflicts of interest with our clients and are explained in the following sections.

A referring broker/dealer firm may also have paid for business consulting and professional services received by Commonwealth Financial Services and may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for CFS' personnel to attend conferences or meetings relating to the programs or advisor custody and brokerage services generally. Some of the products and services made available by such referring firms can benefit CFS but not benefit its client accounts. These products or services may assist CFS in managing and administering client accounts, including accounts not maintained at the referring firm. Other services made available can help CFS manage and further develop its business enterprise. The benefits received by CFS or its personnel generally do not depend on the amount of transactions directed to a referring firm. As part of its fiduciary duties to clients, Commonwealth Financial Services endeavors at all times to put the interests of its clients first. Clients should be aware, however, that receipt of economic benefits by CFS or its related persons in and of itself creates a potential conflict of interest and can indirectly influence CFS' choice of one of these referring broker/dealer firms for custody and brokerage services.

### **Schwab Advisor Services**

CFS can recommend or require that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab"), a registered broker/dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. CFS is independently owned and operated and not affiliated with Schwab. Schwab provides CFS with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Advisor Services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research (including that in the form of advice, analyses and reports) and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab generally does not charge separately for custody services for CFS client accounts maintained in its custody. Instead, it is generally compensated through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Because CFS pays Schwab the execution costs associated with securities transactions, there is a potential disincentive to trade securities. CFS does not receive any portion of the commission or fees from either Schwab or from clients.

The Commonwealth Financial Services Asset Management Services program can cost clients more or less than if the assets were held in a traditional brokerage account. In a brokerage account, clients are charged commissions for each transaction and the Advisory Representative has no duty to provide ongoing advice with respect to the account. If clients plan to follow a buy and hold investment strategy for the account or do

not wish to purchase ongoing investment advice or management services, they should consider opening a brokerage account rather than an Asset Management Services account.

Schwab also makes available to CFS other products and services that benefit us but may not benefit our clients' accounts. These benefits can include national, regional, or specific CFS educational events organized and/or sponsored by Schwab Advisor Services. Other potential benefits can include occasional business entertainment of CFS personnel by Schwab Advisor Services personnel, including meals, invitations to sporting events (including golf tournaments), and other forms of entertainment, some of which may accompany educational opportunities.

Other of these products and services assist Commonwealth Financial Services in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of CFS' fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of CFS' accounts, including accounts not maintained at Schwab Advisor Services.

Schwab Advisor Services also makes available to CFS other services intended to help CFS manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance, and marketing. In addition, Schwab can make available, arrange and/or pay vendors for these types of services rendered to CFS by independent third parties. Schwab Advisor Services can discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to CFS. As a fiduciary, CFS endeavors to act in its clients' best interests, but its recommendation and/or requirement that clients maintain their assets in accounts at Schwab can be based in part on the benefit to CFS of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost, or quality of custody and brokerage services provided by Schwab. This may create a potential conflict of interest.

### **Fidelity Institutional Wealth Services**

Commonwealth Financial Services can also recommend or require that clients establish a brokerage account with Fidelity Institutional Wealth Services (Fidelity) to maintain custody of clients' assets and to effect trades for their accounts. CFS is independently owned and operated and is not affiliated with Fidelity. Fidelity provides us with access to their institutional trading and custody services, which are typically not available to retail investors. The services from Fidelity include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Fidelity also makes available other products and services that benefit us but may not benefit our clients' accounts. Some of these other products and services assist us in managing and administering client accounts. These include software and other technology that:

- Provide access to client account data (such as trade confirmation and account statements)
- Facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts)
- Provide research, pricing information and other market data
- Facilitate payment of our fees from client accounts
- Assist with back-office functions, recordkeeping and client reporting.

Many of these services generally can be used to service all, or a substantial number, of our accounts, including accounts not maintained at Fidelity. Fidelity also makes available other services intended to help us manage and further develop our business. These services can include:

- Consulting, publications and conferences on practice management
- Information technology
- Business succession
- Regulatory compliance
- Marketing

In addition, Fidelity can make available, arrange and/or pay for these types of services rendered by independent third party providing these services to us. As a fiduciary, we endeavor to act in your best interest. Our recommendation or requirement that you maintain your assets in accounts at Fidelity can be based in part on the benefit to us in the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Fidelity. This can create a potential conflict of interest.

CFS has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides CFS with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like CFS in conducting business and in serving the best interests of their clients but that may benefit CFS.

### **Order Aggregation**

When possible, Commonwealth Financial Services aggregates client transactions to improve the quality of execution. Mutual funds held in client accounts do not lend themselves to aggregate or block trades. To the extent other securities are purchased that do lend themselves to aggregating or block trading (e.g., stocks or exchange traded funds), CFS aggregates client transactions or allocates orders whenever possible. We allocate trades to advisory clients in a fair and equitable manner that is applied consistently to all clients. When trades are not aggregated, clients may not enjoy the effects of lower transaction per share costs that often occur as a result of aggregating trades. As a result, you can pay a higher transaction cost than could be received elsewhere. Personal accounts of our Advisory Representatives, associated persons, and their family members are not treated more favorably than any other client account. We strive to allocate investment opportunities believed to be appropriate for our client's account and other accounts in a manner that is consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. You should be aware that if an order is not aggregated, you may pay higher brokerage costs.

### **Trade Errors**

Occasionally, a trading error can occur where either we are at fault for effecting one or more erroneous securities transactions for a client's brokerage account. If this occurs in your account, the error will be corrected, and your account will be restored to the same economic position had the error never occurred. In the process of restoring your account, a profit may be realized, or a loss suffered in connection with correcting this error. Neither losses nor gains realized will be passed on to you. As a result, trade corrections can result in a financial benefit to us.

By opening an account with us, you are directing us to follow the error correction policy described above and to retain the financial gains, if any, recognized from error -correction transactions in the manner described as the payment of reasonable compensation for services provided.

### **Review of Accounts**

Your Advisory Representative periodically reviews your account and contacts you annually. For further account review details, please see our Form ADV Part 2A.

### **Custodial Referrals and Economic Benefits**

Some clearing and custodial firms can refer financial professionals to CFS to possibly join our firm as Advisory Representatives. Any such referral source does not supervise CFS and has no responsibility for supervision of our Advisory Representatives, managing client portfolios, or other advice or services. We have the final authority and responsibility for approving all Advisory Representatives licensed with our firm. Our receipt of Advisory Representative referrals from these firms raises potential conflicts of interest. Such firms will most likely refer potential Advisory Representatives to CFS when we encourage those Advisory Representatives' clients to custody their assets at the referring firm and whose client accounts are profitable to that firm. Consequently, in order to obtain Advisory Representative referrals, CFS has an incentive to recommend to clients that the assets under management by CFS be held in custody with the referring firm and to place transactions for client accounts with that same firm. Our arrangement does not diminish our duty to seek best execution of trades for client accounts. A referring custodial or clearing firm does not receive solicitor or referral fees from us for providing CFS with a potential Advisory Representative referral.

### **Indirect Compensation and Revenue Sharing Disclosure**

We offer a range of investments and services to our clients. As you work with your Advisory Representative to determine the right investments and services to achieve your investment goals, it is also important for you to understand how you and we are compensated. This is because various forms of compensation create potential conflicts of interest, and it is important for you to assess potential conflicts of interest in making investment decisions. To better understand how we are compensated, please refer to CFS' Form ADV Part 2A and Form CRS.

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

As Program Sponsor, we receive a portion of the Account Fee as described in Item 4 above. For further details on compensation and other economic benefits that we receive, please see our Form ADV Part 2A.

### **Financial Information**

This item is not applicable to Commonwealth Financial Advisors. The Program does not allow, require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We have no financial condition that might impair our ability to meet our contractual commitments to clients and have never been the subject of a bankruptcy proceeding.