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Firm Brochure

(Part 2A of Form ADV)

This brochure provides information about the qualifications and business practices of Commonwealth Advisors Inc. If you have any questions about the contents of this brochure, please contact us at 225-343-9342 or email us at info@common.com. The information in this brochure has not been approved or verified by the United States Securities Exchange Commission or by any state securities authority.

Additional information about Commonwealth Advisors Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

The Headings in this brochure correspond to the Item headings of Form ADV Part 2A.

April 30, 2013

Item 2: MATERIAL CHANGES

This section discusses only material changes since the last update of this Brochure on July 26, 2012.

Commonwealth Advisors, Inc. ("CA" or "Commonwealth") will continue to provide you with a new Brochure, as necessary, based on changes or new information, at any time, without charge.

Changes were made to the following sections of the Brochure:

ITEM 4 – Advisory Business: This section was revised to add a discussion of CA's private funds.

ITEM 5 – Fees and Compensation: This section was revised to fees received by CA from the CD) managed by CA.

ITEM 6 – Performance Based Fees and Side by Side Management: This section was revised to more fully explain certain conflicts of interest

ITEM 7 – Types of Clients: This item was revised to update client types

ITEM 8 – Methods of Analysis: This item was revised to more fully explain the private funds and CDO managed by CA.

ITEM 9 – Disciplinary Information: This item was updated to reflect the status of pending proceedings requiring disclosure.

ITEM 12 - Brokerage Practices: This item was updated to reflect private fund and CDO practices.

ITEM 13 – Review of Accounts: This item was updated to reflect current account review procedures.

ITEM 14 – Client Referrals: This item was updated to reflect that Commonwealth no longer pays for client referrals.

ITEM 15 – Custody: This item was revised to add custody of CDO assets.

ITEM 16 – Investment Discretion: This item was updated to reflect fund and CDO information.

ITEM 18 – Voting Client Securities: This item was updated to more clearly state Commonwealth's policy.

ITEM 19 – Financial Information: This item was updated to reflect the impact of certain information with respect to proceedings against Commonwealth.

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Item 4: ADVISORY BUSINESS

Commonwealth Advisors, Inc. ("CA" or "Commonwealth") is a Louisiana based company founded in 1991 and registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, as amended ("Advisers Act") in 2005. The sole owner is Walter Morales. CA is not a publicly traded company.

CA acts as an investment adviser to private funds ("Funds") and to separate accounts.

While CA specializes in fixed income products (bonds) we offer clients a full array of potential investment opportunities, including the following types of securities:

Common Stocks - this can include publicly or privately-held ownership of companies and represents the highest risk component in the capital structure of a company.

Warrants - which are purchased or given to shareholders with the option to buy the actual stock of the underlying position for a specific price within a certain time frame. Sometimes warrants are issued to bond holders as an incentive to buy the bond.

Corporate Bonds – public or privately-held debt instruments issued by companies.

Mortgage Backed Bonds – debt owed from large pools of mortgages put together by a federal agency, large banks or regional banks.

Asset Back Securities (ABS) - debt owed by corporations however the debt is collateralized by something the corporation has that is equal to or greater than the actual debt.

Separate Accounts: During the original meeting with a client ("you") to establish a separate account, the Security Approval Form will be discussed. You can indicate by placing an "x" on the box that will indicate to us which form of assets you do not want to be included in your portfolio. This designation can be changed at any time.

Account Opening: Commonwealth is not a brokerage firm so depending on where you choose to hold your account the procedures may vary. Typically though you can open a brokerage account at one of the brokerage firms in which we are allowed to trade on their institutional platform. When you open an account at one of these firms the accounts may be funded with cash or securities. In some cases we may be able to incorporate your securities into your target strategy but in most cases the securities will need to be sold. The sale of these securities may create a significant tax liability for you, especially if the securities sold had a low taxable cost basis. In certain cases, and to the extent practicable, securities may be used to fund an account without being sold if the same securities are included in the account's investment strategy.

When a client makes a deposit into the brokerage account in which Commonwealth will manage the funds will be credited to the account and be available for investment, but may be subject to a hold imposed by the brokerage firm for up to ten days and may not be withdrawn during that period. However, the client will receive any interest or dividends on the investment of such funds during the imposed hold period.

If you are moving your assets from a regular brokerage account to an institutional brokerage account, one in which Commonwealth will use to investment your assets, there will be different cash sweep options than the cash sweep options you used in the regular brokerage account. We can discuss with you the differences and help you choose the one that is most appropriate to your situation.

Account Additions and Withdrawals: You can make additions and withdrawals to your account at any time. We ask that you make those additions to the brokerage firm directly. We also ask that if you make withdrawals from your account that you notify us in advance because we may have trades pending in the account.

Termination: As set forth in the Investment Management Agreement, the agreement can be terminated with a 30 days written notice. The agreement can be terminated by you or by Commonwealth. If terminated within five business days of execution the client will not be charged any fees or penalties. If you terminate the agreement after the first five business days Commonwealth will prorate the fees based on the number of days remaining in the calendar month after the date upon which written notice of termination is received by Commonwealth. Upon termination of our agreement you can transfer the account to another brokerage firm or you can maintain the current brokerage account and have Commonwealth removed from the account as manager. You can also choose to keep the securities we have purchased in the account or instruct us to liquidate the account. Be aware that liquidation of the account may cause you to incur income tax obligations. Also be aware, that if you terminate the agreement with Commonwealth, the brokerage firm may also charge you a different brokerage rate than was given to Commonwealth as an institutional advisor. Your cash sweep accounts may also change. Additionally, upon termination it is the client's sole responsibility to monitor and invest the assets. Commonwealth will no longer have any further obligation to act or give advice with respect to those assets.

Confirmation and Account Statements: As Commonwealth transacts buys and sells in your account you will receive a confirmation statement directly from your brokerage firm, not from Commonwealth. Through the brokerage firm trade confirmations may be delivered electronically as well, in lieu of paper confirmations.

Account Reports: All clients receive account statements from Commonwealth on a quarterly basis. In addition to the Commonwealth' statement you should also receive a monthly statement from the brokerage firm. While the brokerage firm's monthly statement may not provide performance measurement summaries, the Commonwealth Advisor statements do. The Commonwealth Advisor statements provide a summary of performance over a defined time period and compared to a leading index which is similar to your investment strategy. The performance reports provided by Commonwealth are calculated in a way of achieving GIPS (Global Investment Performance Standards) Compliance. Further information regarding GIPS compliance can be obtained from the CFA Institute online at <http://www.cfainstitute.org>.

Funds: CA provides acts as investment adviser to CA Recovery Master Fund, LLC, a Delaware Limited liability company ("Master Fund") as well as to CA Recovery Fund, LLC, a Delaware limited liability company ("CA Onshore") and CA Recovery Fund, Ltd., a Cayman Islands exempted company ("CA Offshore," and with the Master Fund and CA Onshore, the "CA Funds"). CA Onshore and CA Offshore both invest substantially all of their assets in the Master Fund.

Each CA Fund is exempt from registration as an investment company pursuant to Section 3(c)(7) of the Investment Company Act of 1940, as amended ("1940 Act"). The interests or shares in each CA Fund are privately offered pursuant to Regulation D under the Securities Act of 1933, as amended ("1933 Act").

CA also acts as "Collateral Manager" with respect to a Collateralized Debt Obligation ("CDO," and with the CA Funds, "Funds") – Collybus CDO I Ltd., a Cayman Islands exempted company. Collybus CDO I Corp., a Delaware corporation, is a "co-issuer" of certain CDO securities, however Commonwealth's management agreement is with Collybus CDO I Ltd. The CDO is exempt from registration as an investment company pursuant to Section 3(c)(7) of the 1940 Act. The shares of the CDO are offered (a) in the U.S. in reliance upon an exemption from registration under the 1933 Act for sale to "qualified institutional buyers" as defined in Rule 144A under the 1933 Act, and (b) outside the U.S. in compliance with Regulation S under the 1933 Act.

Investors in the Funds receive after the end of each calendar quarter a statement showing the net asset value of the Fund as of the end of the calendar quarter and the investor's capital account balance(s) or share value, as applicable, as of the end of the calendar quarter. Investors also receive annual audited financial statements for the applicable Fund and a report thereon of independent public accountants.

CA does not tailor its investment advice to the needs of any investor in a Fund.

CA does not participate in any "Wrap Fee Programs."

As of March 31, 2013 CA manages \$109,682,192 on a discretionary basis and \$ 0 on a non-discretionary basis.

Item 5: FEES AND COMPENSATION

Separate Account Fees: CA is compensated for its advisory services by fees as a percentage of assets under management. All fees are negotiable. CA deducts fees from Client's accounts on a monthly basis in arrears. You will be billed for custodial fees, transaction fees and brokerage fees. Management Fees are prorated for each capital contribution and withdrawal made during the calendar month. Accounts initiated or terminated during the month will be charged a prorated fee. Upon termination of any account earned fees will be due and payable.

Our standard fee is a percentage of the value of your account which we manage. We have provided a breakdown of each fee associated with the each strategy below. Most of our clients pay the management fee on a monthly basis. We calculate the monthly management fee by multiplying the value of your account at the end of the month by the percentage we mutually agreed to charge – that gives us the amount annually and then we divide it by twelve to get the monthly fee.

For example: if the value of your account was \$1,000,000 and the fee you agreed to pay us for our service is 1% then the calculation would look like this:

Month-End Value	x	Management fee or	\$1,000,000 x 1%	12
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The monthly manage fee would be \$833.33.

Investment Management Fees – We charge a different rate for different types of strategies and different strategies could also have different minimums. We will make sure that you fully understand the strategy, minimums and total fee before you sign the IMA. Below you will find a breakdown of our fees and minimums.

AGGRESSIVE BALANCED

The minimum Investment for this strategy is \$500,000.

If your investment is less than \$1,500,000 your fee is 1.25%.

If your investment is greater than \$1,500,000 you would pay 1.25% for the first \$1,500,000 and then only 1% for anything over the next \$1,500,000.

If your investment is greater than \$3,000,000 you would pay 1.25% for the first \$1,500,000, 1% on the second \$1,500,000 and then pay only .75% for anything over \$3,000,000. If your investments are greater than \$6,000,000 we will negotiate a rate specifically for you.

CONSERVATIVE BALANCED

The minimum Investment for this strategy is \$500,000. If your investment is less than \$1,500,000 your fee is 1%.

If your investment is greater than \$1,500,000 you would pay 1% for the first \$1,500,000 and then only .875% for anything over the next \$1,500,000.

If your investment is greater than \$3,000,000 you would pay 1% for the first \$1,500,000, .875% on the second \$1,500,000 and then pay only .75% for anything over \$3,000,000. If your investments are greater than \$6,000,000 we will negotiate a rate specifically for you.

CORE PLUS FIXED INCOME

The minimum Investment for this strategy is \$500,000. If your investment is less than \$1,500,000 your fee is 1%. If your investment is greater than \$1,500,000 you would pay 1% for the first \$1,500,000 and then only .875% for anything over the next \$1,500,000.

If your investment is greater than \$3,000,000 you would pay 1% for the first \$1,500,000, .875% on the second \$1,500,000 and then pay only .70% for anything over \$3,000,000. If your investments are greater than \$6,000,000 we will negotiate a rate specifically for you.

CORE FIXED INVESTMENT GRADE INCOME

The minimum Investment for this strategy is \$500,000. If your investment is less than \$1,500,000 your fee is 1%. If your investment is greater than \$1,500,000 then you would pay 1% for the first \$1,500,000 and then only .875% for anything over the next \$1,500,000.

If your investment is greater than \$3,000,000 then you would pay 1% for the first \$1,500,000, .875% on the second \$1,500,000 and then pay only .70% for anything over \$3,000,000. If your investments are greater than \$6,000,000 we will negotiate a rate specifically for you.

AAA ONLY FIXED INCOME

The minimum Investment for this strategy is \$500,000. If your investment is less than \$1,500,000 your fee is 1%. If your investment is greater than \$1,500,000 then you would pay 1% for the first \$1,500,000 and then only .875% for anything over the next \$1,500,000.

If your investment is greater than \$3,000,000 then you would pay 1% for the first \$1,500,000, .875% on the

second \$1,500,000 and then pay only .70% for anything over \$3,000,000. If your investments are greater than \$6,000,000 we will negotiate a rate specifically for you.

You may also incur fees from custodial firms and/or fees related to transactions. If these fees are incurred they are paid directly to the service provider (brokerage firm) and are not paid to or by Commonwealth. In some cases, you have the ability to select your custodian and you may direct your brokerage transactions to a particular firm.

Fund Fees: Each non-managing member of CA Onshore ("Non-Managing Member") or shareholder of CA Offshore ("Shareholder") will pay CA an asset management fee ("Management Fee") monthly in arrears, in an amount equal to a percentage of the net asset value of the respective Non-Managing Member's capital account or the Shareholder's investment account, as the case may be, as calculated on the last Business Day of that month. The applicable monthly percentage for CA Onshore and CA Offshore is 1/12 of 2%. "Business Day" means a day on which banks are open for normal banking business in New York, except as may be otherwise specified by CA with respect to CA Onshore or by the directors ("Directors") with respect to CA Offshore Fund. The managing member of CA Onshore, in consultation with CA, may waive the Management Fee with respect to any Non-Managing Member and the Directors of CA Offshore, in consultation with CA, may waive the Management Fee with respect to any Shareholder. No Management Fee will be paid with respect to any interest held by any Non-Managing Member or shares held by a Shareholder prior to July 1, 2007.

An incentive allocation ("Incentive Allocation") will also be allocated from each Non-Managing Member's capital account in CA Onshore to Sand Spring Management, LLC ("Sand Spring"), managing member of CA Onshore and an affiliate of CA, as of the last Business Day of each calendar year equal to a percentage of the net profits of such capital account (subject to a loss carry forward provision or "high water mark"). The Incentive Allocation percentage is 20%. No Incentive Allocation will be paid with respect to any investments by a Non-Managing Member prior to July 1, 2007. Incentive Allocations will be pro-rated for partial periods, as upon redemption prior to the last Business Day of a calendar year. Sand Spring may, in its discretion, determine that CA Onshore not make an Incentive Allocation, reduce the amount to be so allocated or rebate any amount previously allocated, with respect to any Non-Managing Member, group of Non-Managing Members, or generally (including persons employed by the Managing Member or any of its affiliates) for any calendar year or other period that Sand Spring determines appropriate.

CA Offshore will pay CA each fiscal year an incentive fee ("Performance Fee") for each series of shares of CA Offshore established on or after July 1, 2007 equal to a percentage of the net profits of each such Series (subject to a loss carry forward provision or "high water mark"). Performance Fees will be pro-rated for partial periods, as upon redemption prior to the last Business Day of a Fiscal Year. The Performance Fee percentage for CA Recovery Offshore is 20%. No Performance Fee will be paid with respect to any shares ("Shares") held by any Shareholder who was a Shareholder prior to July 1, 2007.

Each of CA Onshore, CA Offshore and the Master Fund bears its ongoing transaction (e.g., brokerage commissions), administrative, custody, legal (including blue sky compliance), tax preparation, investor reporting, valuation agent and appraisal fees and expenses, insurance and accounting and audit expenses, and any expenses that are reasonably incurred in connection with the business or maintenance of the Fund. Each Fund also pays the fees and expenses of its prime brokers and administrators.

No Management Fees, Incentive Allocation or Performance Fees are paid by CA Onshore or CA Offshore, or any Non-Managing Member or Shareholder thereof, with respect to investment by CA Onshore or CA Offshore in the Master Fund. Each of CA Onshore and CA Offshore will bear its share of the Master Fund's expenses as an investor therein.

With respect to the Management Fees, the administrator prepares the monthly financial statements, which are then reviewed CA. Commonwealth then directs the custodian to transfer the Management Fee to CA. Management and incentive fees are calculated by the Fund administrator according to previously-approved schedules. Amounts are

reviewed for accuracy by CA upon payment.

The CDO pay CA, as collateral manager, a collateral management fee ("Collateral Management Fee") on a quarterly basis equal to a percentage of the outstanding collateral balance. The percentage is approximately 6 bps or 0.06%. No Collateral Management Fee is paid to CA with respect to subordinate tranches of the CDA held by the Funds or any other client of CA. CA may waive or defer receipt of the Collateral Management Fee. No Collateral Management Fees are paid when there is an event of default in the CDO. All Collateral Management Fees are computed by, and then paid to CA, by the trustee of the CDO.

Neither CA nor its supervised persons accept compensation for the sale of securities or other investment products. See Item 12 for a discussion of the brokerage practices of CA.

Item 6: PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGEMENT

The receipt of performance-based fees from some separate accounts and the Funds creates conflicts of interest. Commonwealth can potentially receive higher fees from accounts with a performance-based compensation structure than from those accounts that pay an asset-based fee as described in Item 5. For example, Commonwealth may have an incentive to make riskier investments, to direct the best investment ideas to the account that pays a performance-based fee or to allocate or sequence trades in favor of the performance fee account. To manage these potential conflicts:

All accounts within a strategy for a separate account are managed to the strategy's model portfolio. All Funds are managed to attempt to meet the investment objective specified in the relevant offering document.

Commonwealth performs a periodic review of each investment strategy's model portfolio versus each separate client account. In this review, every position size for each client account is compared to our model weights. In addition, portfolios are monitored by our compliance department for consistency with client objectives and restrictions.

Commonwealth also has trade allocation policies and procedures designed to ensure that all clients are treated fairly and equally and to prevent conflicts from influencing the allocation of investment opportunities among clients. It is CA's general policy to allocate purchase or sale opportunities on a pro rata basis to all appropriate clients. However, CA recognizes that a pro rata allocation may not always be feasible or in the best interests of CA's clients. In allocating a transaction, portfolio managers will consider not only the firm's guiding allocation objective, but may also consider specific circumstances related to an account or an investment, such as: (1) cash availability and/or leverage targets in particular client accounts; (2) investment guidelines and limitations imposed by the relevant governing documents for such accounts; (3) principles of diversification of assets; (4) partial fill or trade order; (5) small account size (allocation may be adjusted to minimize custodian fees and transaction charges); (6) undesirable position size (allocation may be adjusted to remove an undesirably small or undesirably large position); (7) applicable investment transfer or assignment restrictions; (8) client tax status; (9) regulatory restrictions; (10) redemption/withdrawal requests from accounts; and (11) a determination by the portfolio manager ("PM") that the investment or sale opportunity is inappropriate in whole or in part for one or more of the accounts within the strategy. As such, account allocations become tailored as necessary to the needs, restrictions and circumstances of each client account.

Commonwealth has another potential conflict of interest, as an adviser to both long-only accounts and accounts that execute short sales. We could sell short securities in a long-short account while causing long-only accounts to hold the same security long. In this case, we could harm the performance of the long-only accounts for the benefit of accounts that execute short sales, which may include performance-based fee accounts. For example,

continually selling a position short may depress the stock price which could harm a long-only account if it holds the same security. To manage this conflict, Commonwealth has a specific policy that prohibits a short position from being held as a long position in any other client account that we manage.

A performance-based fee is an advisory fee based on a percent of capital gains on or capital appreciation of client assets. Performance-based fees paid to investment advisers may be significantly higher than the asset-based fees paid on traditional accounts.

Item 7: TYPE OF CLIENTS

Our primary business is to provide investment supervisory services to the following:

- Individuals, Trusts, Estates
- Businesses
- Private Funds

When you open a separate account, you will sign an Investment Management Agreement (IMA). The IMA is an agreement between you and CA which details how much you will be pay for our investment management services.

With respect to investment in CA Onshore or CA Offshore, each investor must be an “accredited investor” as defined in Rule 501(a) of Regulation D under the 1933 Act and a “qualified purchaser” as defined in the 1940 Act and the regulations thereunder. In addition, investors in CA Onshore must be a United States person under the Internal Revenue Code of 1986, as amended (“Code”) and investors in CA Offshore must not be a U.S. person within the meaning of Regulation S under the 1933 Act or a United States person under the Code. The minimum investment by an investor in CA Onshore or CA Offshore is \$1 million.

An investor in the CDO must be (i) be a “qualified purchaser” as defined in the 1940 Act who is also a “Qualified Institutional Buyer” within the meaning of Rule 144A under 1933 Act, or (ii) not be a “U.S. person” within the meaning of Regulation S under the 1933 Act.

Item 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

CA Funds: The investment objective of CA Onshore and CA Offshore is to provide investors with positive absolute returns over the long-term by seeking investments in a wide variety of opportunities in distressed and highly leveraged companies. CA Onshore and CA Offshore, directly or indirectly through the Master Fund, seek to achieve the investment objective primarily through investment in the distressed financial instruments of North American companies and subordinated tranches of asset-backed securitizations. In seeking investment, CA uses mostly Fundamental Analysis but can use Technical Analysis as well. Fundamental analysis attempts to measure the intrinsic value of a security, whereas technical analysis evaluates securities based on historical patterns of indicators such as price and volume.

CDO: The CDO has issued notes (“Notes”) and subordinate securities secured (“Collateral Debt Securities”) primarily by residential mortgage-backed securities The CDO are not currently being offered to new investors.

Separate Accounts

While there are multiple ways to analyze investments CA uses mostly Fundamental Analysis but can use Technical Analysis as well. When reviewing Fundamental Analysis on a bond at a macro level we would analyze economic factors such as:

interest rates and overall state of the economy and information about the bond issuer; and changes in credit ratings.

On a micro level we investigate things like potential risks associated with:

Interest rates;

The likelihood that the bond would fail to pay interest or principal now or in the future;

The risk that the current interest rates will go up or down and how that affects the bonds we own;

The risk of trying to sell a bond after owning it for some time period;

The risk associated with owning bonds that are tied to another currency; other than the dollar;

The risk associated with regional, national or global events; good or bad;

The risk associated with a bond that matured early;

When analyzing common stocks we would review things such as:

Corporate Revenues;

Corporate Earnings;

The potential future growth of the company and what the company makes;

The company's ability to make a profit based on its current cash and how that cash is used by management;

Is the company profitable and will it remain profitable;

What is the current value of the company relative to its peers.

As mentioned earlier the majority of our analysis is based on fundamentals but we can on occasion use Technical Analysis as well. Technical Analysis is a type of analysis that uses statics provide on a periodic basis to identify patterns which could suggest future prices – for buying stocks as well as selling them. We would never use technical analysis as a sole means to predict stock movement but only to enhance sell and buy targets.

Our analysis is performed on a combination of proprietary systems, built in-house and best-of-breed industry standard application.

THE MAIN SOURCES OF INFORMATION APPLICANT USES INCLUDE

There is a lot of information in the market place regarding investment opportunities. Below is a list of the types of sources we have access to and could use in reviewing investment opportunities:

Industry periodicals

Research material from other expert analysts

Annual reports and prospectuses (these are also filed with the Securities and Exchange Commission) provided by corporations

Company press releases

And to some degree corporate rating services

We also utilize our own unique modeling and testing methods which has been developed and honed from years

of experience.
Inspecting corporate activities

THE INVESTMENT STRATEGIES USED TO IMPLEMENT ANY ADVICE GIVEN TO CLIENT INCLUDE

Everyone's investing goals, time frame, risk tolerance and knowledge are all unique. We will strive to use a strategy which makes sense and takes into consideration each investor's characteristics. These strategies could include any of the following:

Buying investments and holding them for greater than a year (Long Term purchase);
Buying investments and holding them for less than a year (Short Term purchase);
Buying and Selling investments in a very short term and if conditions warrant it; and
Selling a stock that you don't own, with the expectation that the stock would increase in value and then buying the stock at a higher value later on.

We could borrow against stocks or bonds that are currently in your portfolio (using your current investments as collateral) and use the proceeds to buy additional investments. While we could expect to pay interest on the loan the expectation would be that we would earn more return than interest paid.

In some instances, if the strategy was appropriate, we could purchase or sell options (future rights or contracts to buy or sell an investment). An option is unique in that the right or contract itself has value and could be bought or sold as an investment. In the industry these investments are considered derivative investments because they have a value derived from an underlying investment.

Investment in securities involves risk of loss that clients should be prepared to bear. Commonwealth does not guarantee the performance of the Account, any investment or asset in the Account, any specific level of performance, the success of any investment decision or strategy that Commonwealth may use, or the success of Commonwealth's overall management of the Account. The client should understand that investment decisions made for the Account by Commonwealth are subject to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable. The Adviser will manage only assets held in the Account and in making investment decisions for the Account, Commonwealth will not consider any other securities, cash or other investments held away from our management.

Some of the securities used by the firm and the risk associated with them are listed below:

Certificates of Deposit (CD): A short or medium term interest-bearing instrument that typically carries insurance from the Federal Deposit Insurance Corporation (FDIC). CDs are characterized as relatively low risk, low return investment securities with the primary associated risk being interest rate risk.

U.S. Treasury Securities: A debt obligation of the U.S. government backed by its full faith and credit. U.S. Treasury bills have a maturity of less than one year; U.S. Treasury notes have a maturity up to 10 years; and U.S. Treasury bonds have a maturity greater than 10 years. Although Treasury securities have no credit risk, their primary risk is interest rate risk.

Agency Bonds: Debt obligations issued by government-related agencies such as Ginnie Mae, Freddie Mac, and Fannie Mae. Only Ginnie Mae securities carry the explicit full faith and credit guarantee of the U.S. government. Although credit risk is considered extremely minimal, these securities carry interest rate and reinvestment risk.

Mortgage-Backed Security (MBS): These are securities backed by a pool of underlying mortgages. An MBS is typically issued by a governmental agency such as Ginnie Mae or Freddie Mac but can also be issued by a

private mortgage servicing company. The primary risks of an MBS are interest rate risk and reinvestment risk. They are also called Collateralized Mortgage Obligations ("CMOs").

Asset-Backed Security (ABS): These are securities issued by private entities and backed by assets of the issuer, typically loans, accounts receivable, or property. The primary risks of an ABS are credit risk, interest rate risk, and reinvestment risk.

Corporate Bond: A bond issued by a corporation and typically backed by the general revenues of the company. These bonds typically have a par value of \$1,000, have a term maturity, and pay interest semi-annually. In some cases, there are zero-coupon corporate bonds. The primary risk of corporate bonds is credit risk, and corporate bonds also have interest rate risk. Corporate bonds rated triple-B or above are considered investment grade bonds while those rated below triple-B are considered non-investment grade bonds.

Municipal Bond: A bond issued by a state, municipality, or municipal entity such as a water utility. These bonds are typically backed by the general taxing authority of the municipality or the revenues derived from a particular municipal service. These bonds typically have a par value of \$1,000, have a term maturity, and pay interest semi-annually. The primary risk of municipal bonds is credit risk, and municipal bonds also have interest rate risk. Municipal bonds rated triple-B or above are considered investment grade bonds while those rated below triple-B are considered non-investment grade bonds.

Convertible Bond: A corporate bond that can be exchanged, at the option of the holder, for a specified number of shares of the issuer's common or preferred stock. The primary risk associated with convertible bonds is credit risk.

Preferred Stock: Stock of a corporation that provides a specific dividend that is paid before payment of dividends to common stock holders. Preferred stock takes precedence over common stock in the event of a liquidation, but it does not carry voting rights. The primary risk associated with preferred stock is credit risk with liquidity risk being a secondary consideration.

Distressed Securities: Securities of companies (stocks or bonds) entering, participating in, or exiting the bankruptcy or reorganization process. Distressed securities often make no dividend or coupon payments. The primary risk is credit risk with liquidity risk being a secondary consideration.

Domestic Stocks: Common stocks of corporations based in the United States that may or may not pay a dividend. Typically, common stocks carry voting rights. Domestic common stocks are categorized by the market capitalization of the company with less than \$1 billion being small cap, \$1-\$5 billion being midcap, and greater than \$5 billion being large cap. The primary risks of domestic common stocks are price risk and credit risk.

Foreign Stocks: Common stocks of corporations based in a foreign country that may or may not pay a dividend. Typically, common stocks carry voting rights. Common stocks are categorized by the market capitalization of the company with less than \$1 billion being small cap, \$1-\$5 billion being mid cap, and greater than \$5 billion being large cap. The primary risks of foreign common stocks are price risk and credit risk as well as currency risk.

Mutual Funds: Mutual funds are pooled investment vehicles providing broad market exposure to a particular asset class or investment sector. The primary risk of mutual funds is price risk.

Options: Options are the right to buy or sell a specified security at a specific price at some point in the future. The primary risk of options is price risk.

Private Equity: Private equity is equity of non-public companies. The primary risk of private equity is liquidity

risk with credit risk being a secondary consideration.

Risk Factors Applicable to Separate Accounts and the CA Funds

All investment programs, including investment in the CA Funds, carry the risk of loss and there is no guarantee that any investment strategy will meet its objective. Our investment approach constantly keeps the risk of loss in mind.

Recent events in the financial sector have resulted, and may continue to result, in an unusually high degree of volatility in the financial markets. Both debt and equity markets, domestic and foreign, have been and may continue to experience increased volatility and turmoil, with issuers that have exposure to the real estate, mortgage and credit markets particularly affected. It is uncertain whether or for how long these conditions will continue. In addition, the U.S. Government has taken a number of unprecedented actions to support certain financial and other institutions and segments of the financial markets that have experienced extreme volatility and, in some cases, a lack of liquidity. These events and possible continued market turbulence may have an adverse effect on all types of investments.

Depending on the types of securities you invest in, you may face the following investment risks. Investment in the CA Funds and/or CDO also may carry these risks:

Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

Market Risk: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

Business Risk: These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

Financial Risk: Excessive borrowing to finance a business's operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Liquidity Risk: Investing in an illiquid (difficult to trade) security may restrict its ability to dispose of investments in a timely fashion or at an advantageous price, which may limit the ability to take full advantage of market opportunities.

Accounts may hold securities which are partnerships. Some partnerships are relatively liquid and may be either exchange listed or traded over-the counter. However, most partnership securities are often illiquid and are subject to significantly less regulation than public investments.

Fixed income Risks: Portfolios that invest in fixed income securities are subject to several general risks, including interest rate risk, credit risk, and market risk, which could reduce the yield that an investor receives from his or her portfolio. These risks may occur from fluctuations in interest rates, a change to an issuer's individual situation or industry, or events in the financial markets.

Foreign, Emerging Markets equity and fixed income Risk: Investments in these types of securities have considerable risks. Investments in securities of foreign and emerging markets issuers involve different investment risks than those affecting obligations of U.S. issuers. Public information may be limited with respect to foreign and emerging markets issuers; foreign and emerging markets issuers may not be subject to uniform accounting, auditing and financial standards and requirements comparable to those applicable to U.S. companies. There may also be less government supervision and regulation of foreign and emerging markets securities exchanges, and are less liquid and more volatile than securities of comparable domestic issuers. Brokerage commissions and other transaction costs on foreign and emerging markets securities exchanges are generally higher than in the U.S. Dividends and interest paid by foreign and emerging markets issuers may be subject to withholding and other foreign taxes, which may decrease the net return on foreign investments as compared to dividends and interest paid by U.S. companies. Such markets often have different clearance and settlement procedures for securities transactions. Additional risks include future political and economic developments, the possibility that a foreign jurisdiction might impose or change withholding taxes on income payable with respect to foreign and emerging markets securities, and the possible adoption of foreign governmental restrictions such as exchange controls. Since the securities purchased in a foreign or emerging markets portfolio can be denominated or quoted in currencies other than the U.S. dollar, changes in foreign currency exchange rates may affect the value of securities in the portfolio.

High-yield fixed-income Securities Risk: Investments in high-yielding, non-investment grade bonds involve higher risk than investment grade bonds. Adverse conditions may affect the issuer's ability to make timely interest and principal payments on these securities.

Structured products Risk: These products often involve a significant amount of risk. Structured products are intended to be "buy and hold" investments and are not liquid instruments.

Derivatives (options) Risk: Options involve risks and are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss, including the loss of principal. The Funds do not invest in options and/or futures on options.

Small/Mid Cap Risk: Stocks of small or small, emerging companies may have less liquidity than those of larger, established companies and may be subject to greater price volatility and risk than the overall stock market

Diversification Risk: Investments that are concentrated in one or few industries or sectors may involve more risk than more diversified investments, including the potential for greater volatility.

Other Risks Related to Investment in the CA Funds and CDO

Debt and Other Fixed Income Securities. Fixed Income securities are subject to interest rate, liquidity, market and credit risk. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. Even though such instruments are investments that may promise a stable stream of income, the prices of such securities are inversely affected by changes in interest rates and, therefore, are subject to the risk

of market price fluctuations. In general, the values of fixed income securities increase when prevailing interest rates fall and decrease when interest rates rise. Because of the resetting of interest rates, adjustable rate securities are less likely than non-adjustable rate securities of comparable quality and maturity to increase or decrease significantly in value when market interest rates fall or rise, respectively. Market risk relates to the changes in the risk or perceived risk of an issuer, country or region. Liquidity risk refers to the risk that a security cannot be traded quickly enough to prevent a loss on the transaction. Credit risk relates to the ability of the issuer to make payments of principal and interest. The values of income securities may be affected by changes in the credit rating or financial condition of the issuing entities. Income securities denominated in non-U.S. currencies are also subject to the risk of a decline in the value of the denominating currency relative to the U.S. dollar. The debt securities in which the Funds may invest are not required to satisfy any minimum credit rating standard, and may include instruments that are considered to be of relatively poor standing and have predominantly speculative characteristics with respect to capacity to pay interest and repay principal. The Funds may invest in bonds rated lower than investment grade, which may be considered speculative. The Funds may also invest a substantial portion of its assets in high-risk instruments that are low rated, unrated or in default.

Mortgage-Related Securities Generally. Mortgage-related securities are collateralized by residential or commercial mortgages or pools of residential or commercial mortgages. Pools of mortgage loans are assembled as securities for sale to investors by various governmental, government-related and private organizations. Mortgage-related securities are subject to credit risks associated with the performance of the underlying mortgage properties. In certain instances, the credit risk associated with mortgage-related securities can be reduced by third-party guarantees or other forms of credit support. Improved credit risk does not reduce prepayment risk (the risk that the mortgages underlying the security will be prepaid prior to maturity), which is unrelated to the rating assigned to the mortgage-related security. Prepayment risk can lead to fluctuations in value of the mortgage-related security, which may be pronounced. If a mortgage-related security is purchased at a premium, all or part of the premium may be lost if there is a decline in the market value of the security, whether resulting from changes in interest rates or prepayments on the underlying mortgage collateral. Certain mortgage-related securities that may be purchased by the Fund, such as inverse floating rate collateralized mortgage obligations, have coupons that move inversely to a multiple of a specific index, which may result in a form of leverage. As with other interest-bearing securities, the prices of certain mortgage-related securities are inversely affected by changes in interest rates. However, although the value of a mortgage-related security may decline when interest rates rise, the converse is not necessarily true, since in periods of declining interest rates the mortgages underlying the security are more likely to be prepaid. For this and other reasons, a mortgage-related security's stated maturity may be shortened by unscheduled prepayments on the underlying mortgages. Therefore, it is not possible to predict accurately the security's return to the Fund. Moreover, with respect to certain stripped mortgage-backed securities, if the underlying mortgage securities experience greater than anticipated prepayments of principal, the Fund may fail to fully recoup its initial investment even if the securities are rated in the highest rating category by a rating agency. During periods of rapidly rising interest rates, prepayments of mortgage-related securities may occur at slower than expected rates. Slower prepayments effectively may lengthen a mortgage-related security's expected maturity, which generally would cause the value of such security to fluctuate more widely in response to changes in interest rates.

Risks of Investment in Residential Mortgage Securities. The assets of the CA Funds will include (and the CDO Note collateral is primarily) securities backed by residential mortgage loans ("Residential Mortgage Securities"). Violations of certain provisions of federal, state and local laws, as well as actions by governmental agencies, authorities and attorneys general, may limit the ability of a servicer to collect all or part of the principal of, or interest on, the mortgage loans that serve as security for the Residential Mortgage Securities. Violations could also subject the entity that made the loans to damages and administrative enforcement (including disgorgement of prior interest and fees paid). In particular, a loan seller's failure to comply with certain requirements of federal and state laws could subject the seller (and other assignees of the mortgage loans) to monetary penalties and result in the obligors' rescinding the mortgage loans against the seller and any subsequent holders of the mortgage loans, even if the assignee was not responsible for and was unaware of those violations.

The terms of the documents used to create Residential Mortgage Securities typically entitle the holders of the securitized loans to contractual indemnification against these liabilities. Due to the well-publicized recent deterioration in the housing market, many of the sellers that issued these indemnifications are no longer extant or are unable to financially respond to their indemnification obligations. Consequently, holders of interests in the Residential Mortgage Securities may ultimately have to absorb the losses arising from the sellers' violations. Furthermore, the volume of new and modified laws and regulations at both the federal and state levels has increased in recent years. It is possible that these laws, including any litigation resulting from increased enforcement, might result in additional significant costs and liabilities, which could adversely affect the Fund's returns.

Risks Related to Investment in the CDO

Limited-Recourse Obligations. The notes ("Notes") and subordinate securities issued by the CDO are limited-recourse obligations of the CDO, as "Issuer". The Notes are payable solely from the Collateral Debt Securities and other collateral pledged to the Trustee to secure the Notes. None of the security holders, members, officers, directors, managers or incorporators of the Issuer, the Trustee, any hedge counterparty or any of their respective guarantors, the administrator, any rating agency, the share trustee, CA, as "Collateral Manager", the surveillance agent, the placement agent, any of their respective affiliates and any other person or entity will be obligated to make payments on the Notes. Consequently, the Noteholders must rely solely on amounts received in respect of the Collateral Debt Securities and other Collateral pledged to secure the Notes for the payment of principal thereof and interest thereon. There can be no assurance that the distributions on the Collateral Debt Securities and other Collateral pledged to the Trustee to secure the Notes will be sufficient to make payments on any class of Notes. If distributions on the Collateral are insufficient to make payments on the Notes, no other assets will be available for payment of the deficiency and, following liquidation of all the Collateral, the obligations of the Issuers to pay such deficiencies will be extinguished and will not thereafter revive.

Item 9: DISCIPLINARY INFORMATION

Commonwealth and its principal, Walter A. Morales, have been named defendants in three civil lawsuits that arise out of Commonwealth's former management of several hedge funds and its participation in the creation of the CDO. One of these suits was brought in federal court in Louisiana by the Securities and Exchange Commission, seeking a permanent injunction, penalties and disgorgement for alleged violations of federal securities laws and violations of the Investment Company Act of 1940. The other two civil lawsuits were filed by investors in the hedge funds, claiming damages. Commonwealth is also a respondent in an unrelated arbitration demand filed with the American Arbitration Association by another former client. All three lawsuits and the arbitration proceeding are currently pending. Captions of these proceedings and further details can be found in Commonwealth's Part 1 of Form ADV at www.adviserinfo.sec.gov.

Item 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Sand Spring Management, LLC, an affiliate of Commonwealth owned by Walter Morales, is the Managing Member of the Master Fund and CA Onshore and, as such, has entered into an investment advisory agreement with Commonwealth on behalf of the Master Fund and CA Onshore.

Item 11: CODE OF ETHICS

Commonwealth has adopted a "policy on personal securities transactions and insider information" referred to as The Code of Ethics. This policy applies to all employees and some members of the employee's families.

Employees must put the interest of Commonwealth clients first and foremost. Employees can trade in their own accounts but only within the limits of the Code of Ethics.

CA may recommend to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest. Employees of CA may also buy or sell for themselves a security that it also recommended by CA to clients. CA has a Code of Ethics/Employee Trading Policy governing personal securities transactions by employees. Employee fee paying accounts managed by Commonwealth will be allocated transactions in the same manner as other client accounts. The policy states that the employee may not purchase or sell a security (unless it is an exempted transaction) within three trading days before and one trading day after the execution of a trade in the same security bought or sold by CA for one or more clients. The policy requires the pre-clearance by the Chief Compliance Officer before the employee can execute a transaction. There are some transactions that are exempted from the pre-clearance requirement. CA employees report to the Chief Compliance Officer on a quarterly basis any transaction in a security over which the CA employee had or as a result of the transaction acquired, any direct or indirect beneficial ownership. CA employees report to the Chief Compliance Officer brokerage accounts and holdings in securities in which the employee has any direct or indirect beneficial ownership within 10 days of employment, with information current as of a date no more than 45 days prior to employment, and annually thereafter. Annual reports must be submitted by February 14 of each year and the information contained in an annual report must be current as of December 31 of the prior year. CA will provide a copy of the Code of Ethics/Employee Trading Policy to clients and prospective clients upon written request.

Item 12: BROKERAGE PRACTICES

Commonwealth has discretion to execute trades, select broker-dealers and negotiate commissions for separate accounts without obtaining client consent.

CA makes investment decisions and arranges for the placement of buy and sell orders and the execution of portfolio transactions for the CA Funds.

With respect to the CDOs, CA makes recommendations to the Trustee who selects and instructs the broker-dealers to execute transactions.

Bunching and Allocation Procedures

The objective of the bunching and allocation procedures of Commonwealth is to allocate investment opportunities fairly among clients so that, over time, all clients are treated equitably. It is Commonwealth's general policy to allocate purchase or sale opportunities on a pro rata basis to all appropriate clients. However, Commonwealth recognizes that a pro rata allocation may not always be feasible or in the best interests of Commonwealth's clients.

Block trades are used whenever possible. A block trade is a group of orders for more than one client entered as one order. Block trades will be allocated to client accounts in a systematic non-preferential manner. If the block trade does not fill at one price, resulting in partial fills, allocations to client accounts will be made on an average pricing basis. Average pricing amounts to adding up all the buys or sells at their particular price levels, multiplied by the number of contracts at each particular price level, and dividing by the total number of contracts to determine an average price for the whole block trade. If average pricing is unavailable, the high-low method will be used. This method applies the higher fill prices to the higher account numbered clients for both buys and sells, and the lower fill prices to the lower account numbered clients for both purchases and sales.

Best Execution

Commonwealth has a fiduciary duty to seek best price and execution of clients' transactions under the circumstances of the particular transactions.

In selecting broker-dealers, Commonwealth seeks those broker-dealers who it reasonably believes can provide best execution of transactions under the circumstances. The principal factors determining this selection are: (1) a broker's ability to execute the types of transactions occurring in client accounts; (2) the net prices for such transactions; and (3) trading ideas generated by brokers.

Commonwealth will create and from time to time modify an Approved Broker-Dealer list. In order to monitor the executions for the client portfolios, Commonwealth conducts a periodic meeting to evaluate the trading techniques and strategies it uses and performance of the Approved Broker-Dealers it uses. The periodic best execution meetings are attended by the Senior Management, the Chief Compliance Officer ("CCO") and portfolio managers ("PMs"). Commonwealth retains minutes of the meetings.

At the meeting, information will be reviewed with respect to commissions paid over the previous quarters, including the extent to which commissions exceeded pre-established ranges and the circumstances that cause

the deviation and statistical and other information from consultants and vendors on the execution capabilities of broker-dealers. In addition, Commonwealth will establish an acceptable commission range for trades. The Approved Broker-Dealer List will be modified to reflect conclusions reached at the meeting. Minutes will be taken at all meetings and retained by Commonwealth.

“Best execution” is not synonymous with lowest brokerage commission. Consequently, in a particular transaction a client may pay a brokerage commission in excess of that which another broker might have charged for executing the same transaction.

Directed Brokerage Procedures

Commonwealth's standard IMA contains a provision allowing the client to direct Commonwealth to use a particular broker or dealer to execute all transactions for such client's account. In such case, the client will negotiate the terms and arrangement for its account with that broker or dealer and Commonwealth will not seek better execution services or prices from other brokers or dealers or be able to “batch” client transactions for execution through other brokers or dealers with orders for other accounts managed by Commonwealth.

Proprietary Trading

Commonwealth does not maintain a proprietary trading book.

Item 13: REVIEW OF ACCOUNTS

We review every account on a quarterly basis. What we look for are the following:

How much cash is in the portfolio?

Are the correct types of investments in the portfolio according to your Investment Management Agreement profile?

Performance of the portfolio

Unexpected changes in the portfolio value

Un-priced securities

All portfolios are reviewed for earnings, tax status and liquidity by the Chief Investment Officer on a quarterly basis before the quarterly statements are mailed out to you.

CA provides a quarterly report for all portfolios. The brokerage firm or custodian where the assets are actually held is also obligated to provide either a monthly report or a quarterly report. At a very minimum all statements from brokerage firms and custodians are required to provide a statement quarterly, but if there is activity (i.e. trades or distributions/withdrawals) then the brokerage or custodian firms usually provide a monthly statement. Additionally, you may have access to your accounts on a daily basis via that firm's website.

The calendar is the factor which triggers the reviews. The reviews are done on a portfolio analysis basis. Clients with taxable accounts additionally receive annual reports from CA that are needed from income tax reports.

Participants in the Funds receive statements of net asset value at the end of each month from their custodian and annual audited financial statements from their respective Fund and a report thereon of independent public accountants within one hundred twenty days after the end of each fiscal year. You also receive quarterly performance reports from Commonwealth. All reports are written.

Item 14: CLIENT REFERRALS AND OTHER COMPENSATION

Commonwealth does not receive any economic benefit from any person who is not a client for providing investment advice. Commonwealth does not compensate any party for client referrals.

Item 15: CUSTODY

Commonwealth has custody of assets of the CA Fund's assets. Commonwealth does not have custody of the assets held in separate accounts it manages nor of the CDO assets. These assets are in physical custody of "qualified custodians."

Advisers with custody of client funds and securities must maintain them with qualified custodians. The qualified custodian must hold the funds or securities in an account either under the client's name or under the adviser's name as agent or trustee for its clients. Commonwealth maintains all clients' accounts' assets with qualified custodians (prime brokers) and they are held with such qualified custodians in the accounts' names.

The amended rule requires that the quarterly account statements be delivered to a client for which the adviser has custody unless the client is a pooled investment vehicle that is subject to an audit at least annually and distributes its audited financial statements prepared in accordance with the U.S. generally accepted accounting principles to all investors in the vehicle within 120 days of the end of its fiscal year. The custodians for the separately managed accounts provide such statements. The Chief Compliance Officer will ensure that the audit for each CA Fund is completed and the audited financial statements delivered to clients within the 120-day limit of the rule. The offering memorandum for each CA Fund identifies each qualified custodian used by Commonwealth.

Item 16: INVESTMENT DISCRETION

CA has full discretionary authority over the CA Funds, separate accounts and the CDO.

With respect to the CA Funds and the separate accounts, CA has discretion to execute trades, select broker-dealers and negotiate commissions without obtaining client consent. In selecting broker-dealers, CA seeks those broker-dealers that it reasonably believes can provide best execution of transactions under the circumstances. The principal factors determining this selection are: (1) a broker's ability to execute the types of transactions occurring in client accounts; (2) the net prices for such transactions; and (3) trading ideas generated by brokers. With respect to the CDO, the broker-dealers are selected by the trustee of the CDO.

Separately Managed Accounts: The client must choose and notify CA of her/his choice of custodians for her/his assets. CA will recommend that the client choose a firm, such as TD Ameritrade Inc. ("TDA") or State Street or Northern Trust Company that will electronically transmit, on a daily basis, the client's holdings and transactions to CA. CA believes that this feature benefits the client by allowing CA to more readily monitor the activity in the account. TDA has a solicitation agreement with CA pursuant to which a large percentage of the securities transactions for the client is usually executed with the client's custodian, if the custodian is a broker/dealer. CA limits its authority by not allowing itself to withdraw funds or securities from client accounts, and it limits itself as to what it may invest in. CA will not invest in collectibles or non-securitized real estate. CA will not invest in securities in which the client does not wish to invest, provided client notifies CA in writing of the

restriction.

CA usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought and sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, CA observes the investment policies, limitations and restrictions of the clients for which it advises.

Investment guidelines and restrictions must be provided to CA in writing.

CA Funds: State Street (State Street Bank & Trust) acts as custodian for the CA Equity Funds under normal commercial terms pursuant to an account agreement ("Account Agreement"). The limitations in its investments for CA Onshore and CA Offshore, if any, are set forth in the applicable private placement memorandum.

CDO: The investment restrictions on the CDO's assets are specified in the Collateral Management Agreement with Commonwealth and in the Trust Agreement among the issuers, Commonwealth and the trustee.

Item 17: VOTING CLIENT SECURITIES

Separate Accounts: In the IMA you can choose to vote or decline to vote proxy material on your account. Most proxy votes are done electronically on a system called "Proxy Edge." You can direct your vote in a particular solicitation by contacting CA. In the event of a conflict between you and us the following procedure will be used to resolve the conflict.

We will provide you with sufficient information regarding the shareholder vote and explain our potential conflict. We would then obtain your approval before voting. We could vote the proxy (i) based on a pre-determined voting policy or (ii) based on a third party's recommendation. We could also ask you to discuss with another third party (attorney for example) and you would let us know how you would prefer to vote.

CA Funds: With respect to the Master Fund and CA Onshore, we will vote all proxies. For CA Offshore, the Directors will vote all proxies.

In the event the voting of proxies is required, Commonwealth has adopted a policy governing the voting of proxies that is designed to ensure that CA votes client securities in the best interest of its clients.

The CCO will identify those client accounts that Commonwealth is responsible for voting proxies by reviewing the:

- Client's investment advisory contract;
- Client's file to see if there are any separate agreements authorizing Commonwealth to vote client's proxies.

If Commonwealth has proxy voting discretionary authority over a client account, it shall follow the procedures set forth below when voting proxies.

Commonwealth will promptly vote proxies electronically, if possible, or otherwise by mail in a manner consistent with these Proxy Voting Policies and Procedures and guidelines (if any) issued by the client (or in the case of an employee benefit plan, the plan's trustee or other fiduciaries).

Periodically, the CCO or his designee will verify that:

- All annual proxies for the securities held by the clients managed by Commonwealth have been received;
- Each proxy received has been voted in a manner consistent with these Proxy Voting Policies and Procedures and the guidelines (if any) issued by the client (or in the case of an employee benefit plan, the plan's trustee or other fiduciaries);
- Reports, if required, have been sent to each client showing how each proxy was voted; and
- Files containing records of how proxies were voted are maintained.

The CIO reviews proxies as they come in and votes in accordance with the firm's proxy voting guidelines.

Commonwealth will vote proxies related to securities held by any client in a manner solely in the best interests of the client. Commonwealth shall consider only those factors that relate to the client's investment, including how its vote will economically impact and affect the value of the client's investment. Proxy votes will generally be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, and maintain or increase the rights of shareholders. Proxy votes will generally be cast against proposals having the opposite effect. In voting on each and every issue, Commonwealth will vote in a prudent and diligent fashion and only after a careful evaluation of the issue presented on the ballot.

Commonwealth has adopted the following specific voting guidelines:

Corporate Governance

Unless exceptional circumstances exist, Commonwealth will vote against proposals that make it more difficult to replace Board members, including proposals to:

- Stagger the Board
- Overweight management on the Board
- Introduce cumulative voting
- Introduce unequal voting rights
- Create super-majority voting
- Establish pre-emptive rights

Takeovers

Commonwealth will vote against proposals that make it more difficult for a company to be taken over by outsiders, and in favor of proposals that attempt to do the opposite.

Compensation Plans

Commonwealth will vote in favor of proposals by management or shareholders concerning various compensation and stock option plans that will act to make management and employee compensation more dependent on long-term stock price performance. Commonwealth will vote against incentive awards that act to concentrate significant amounts of stock in the hands of upper management.

Capital Structure

Commonwealth will vote against proposals to move the company to another jurisdiction less favorable to shareholders' interests, or to restructure classes of stock in such a way as to benefit one class of shareholders at the expense of another, such as dual classes (A and B shares) of stock.

Board Size

Commonwealth will vote against any proposals that act to increase the size of the board beyond 15 members.

Outside Directors

Commonwealth will vote against any proposal to allow the Chief Executive Officer of a company to appoint outside directors, and in favor of any proposal to eliminate this ability.

Item 18: FINANCIAL INFORMATION

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Commonwealth or the integrity of Commonwealth's management.

Commonwealth and its principal, Walter Morales, are currently defendants in three suits and an arbitration proceeding as set forth in Item 9 – Disciplinary Information.

While Commonwealth believes that the suits are without merit and that they may be successfully defended, there is no guarantee of success. If Commonwealth were to lose one or more of the pending actions, it would be unable to continue to provide advisory services to its clients.

There are no other conditions expected to impair Commonwealth's ability to meet its contractual commitments to clients.