

Commonwealth Advisory Group, Ltd.

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**Form ADV Part 2A
Brochure**

WWW.COMGRP.NET

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This brochure provides information about the qualifications and business practices of Commonwealth Advisory Group, Ltd. If you have any questions about the contents of this brochure, please contact us at 412.531.6040. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Commonwealth Advisory Group, Ltd is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Commonwealth Advisory Group, Ltd is 113347.

Commonwealth Advisory Group, Ltd is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Item 2 Material Changes

As a registered investment adviser, we must ensure that our brochure is current and accurate. If there have been any material changes to our disclosure brochure since our last annual update, we will provide a description of such material changes here.

Since our last annual updating amendment dated February 26, 2019, there are no material changes to report.

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Item 4 Advisory Business

Commonwealth Advisory Group, Ltd. is a registered investment adviser based in Pittsburgh, Pennsylvania. We are organized as a corporation under the laws of the Commonwealth of Pennsylvania. We have been providing investment advisory services since 1993. Robert Joseph Lohman, President/CEO, is our principal owner. Currently, we offer the following investment advisory services, which are personalized to each individual client:

- **Portfolio Management Services**
- **Financial Planning Services**

As used in this brochure, the words "we", "our" and "us" refer to Commonwealth Advisory Group, Ltd. and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this Brochure. As used in this Brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs.

Portfolio Management Services

We provide investment advisory services through the use of no-load mutual funds, exchange traded funds ("ETFs"), U.S. Government securities and tax-exempt bonds, although individual common or preferred stocks may also be used. Portfolios are developed based upon your goals, objectives, time horizon, and risk tolerance. Investment strategies used to implement investment advice are long-term in nature and primarily utilize a buy and hold philosophy. We also provide broad based financial planning services to nearly all of our clients. The investment advice provided varies depending upon the desires, objectives, and other preferences of our client.

As part of our portfolio management services, we may also offer our clients access to a network of third-party money managers ("TPMMs"). We will, among other things, make recommendations regarding the suitability of a TPMM or investment style based on, but not limited to, your long-term goals, risk tolerance, time horizon, account profile, investment objectives and/or financial situation. All TPMMs that we employ on your behalf must be either a state licensed investment adviser or an investment adviser registered with the Securities and Exchange Commission.

In addition to evaluating and recommending TPMMs, we will gather information about your financial situation, investment objectives and any reasonable restrictions you may wish to impose on the management of your account. We then monitor the TPMM's performance, review reports provided to you; contact you at least semi-annually to review your financial situation and objective, and assist you in understanding and evaluating the services provided by the TPMM. You are requested to promptly notify us of any material change in your financial situation, investment objectives, or account restrictions.

Advisory fees charged by TPMMs are separate and apart from our advisory fees. Assets managed by TPMMs will be included in calculating our advisory fee, which is based on the fee schedule set forth in the *Portfolio Management Services* section in this brochure. Advisory fees that you pay to the TPMM are established and payable in accordance with the brochure provided by each TPMM to whom you are referred. These fees may or may not be negotiable. You should review the recommended TPMM's brochure and take into consideration the TPMM's fees along with our fees to determine the total amount of fees associated with this program.

You may be required to sign an agreement directly with the recommended TPMM(s). You may terminate your advisory relationship with the TPMM according to the terms of your agreement with them. You should review each TPMM's disclosure brochure for specific information on how you may terminate your advisory relationship with them and how you may receive a refund, if applicable. You should contact the TPMM directly for questions regarding your advisory agreement with them.

Financial Planning

For existing clients, we may provide financial planning services at no additional charge. This financial analysis may be provided to you separately or used in developing your overall investment plan and objectives and discussed with you during your reviews. We may require you to sign our financial planning agreement for this service. Please refer to the financial planning agreement for additional information regarding the scope of this service

Types of Investments

We primarily offer advice on no-load mutual funds, exchange traded funds ("ETFs"), U.S. Government securities and tax-exempt bonds, although individual common or preferred stocks may also be used. Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

Assets Under Management

As of December 31, 2019, we manage \$435,644,719 in client assets on a non-discretionary basis.

Item 5 Fees and Compensation

Our Portfolio Management Services are provided on a non-discretionary basis and are based on the following fee schedule:

<u>Assets Under Management</u>	<u>Annual Advisory Fee</u>
Up to \$250,000	2.00%
From \$250,001 to \$500,000	1.75%
From \$500,001 to \$1,000,000	1.50%
Over \$1,000,000	1.00%

Typically, advisory fees are paid quarterly in advance. Our initial fee will be calculated on the market value of your assets placed under our management as originally valued upon execution of the agreement for services. Thereafter, the fee will be calculated on the market value of assets under our management at the end of each calendar quarter. In some cases, fees are negotiable.

In limited situations the client may reserve the right to pay advisory fees on a semi-annual or annual basis. Under these circumstances the fee will be payable after services have been provided based on the value of your account on the last day of the calendar quarter.

We will send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid

directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy. We will also receive a duplicate copy of your account statements.

Generally, our client accounts are held in custody at Charles Schwab & Co., Inc. ("Schwab") and securities are purchased or sold through Schwab's institutional facilities. When purchasing or selling securities, you will be subject to brokerage/transaction fees charged by Schwab or any other independent, qualified custodian. We do not share in any portion of these brokerage/transaction fees imposed by Schwab or any other custodian who holding your funds and securities.

Either party may terminate the client agreement within five days of the date of acceptance with no penalty to you. After the five-day period, either party may terminate the management agreement upon 30 days' written notice to the other; a copy of the notice of termination will also be sent to the custodian. Upon termination, any prepaid fees will be prorated to the date of termination and unearned fees will be returned to you.

Financial Planning

As stated above, for existing clients we may provide financial planning services at no additional charge.

Additional Fees and Expenses

Mutual Fund Fees

Because mutual funds pay advisory fees to their investment advisers and those fees are indirectly charged to all holders of mutual fund shares, our clients with mutual funds in their portfolios are effectively paying both our firm and the mutual fund adviser for the management of their assets. In other words, if you have us manage your mutual fund shares you will pay both our direct management fee and your mutual fund managers' indirect management fees. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, our firm, and others. For information on our brokerage practices, please refer to the *Brokerage Practices* section of this Brochure.

Brokerage Fees

When purchasing or selling securities, you will be subject to brokerage/transaction fees charged by the independent, qualified custodian holding your securities and processing the buy/sell transactions. We do not share in any portion of these brokerage/transaction fees collected by your custodian.

Third Party Money Manager ("TPMM") Fees

Our advisory fee does not include the fees of third-party advisers who are selected to manage your account(s). In addition, costs or charges associated with certain securities transactions, including dealer mark-ups or mark-downs and normal broker commissions, custodian fees, and account liquidation or termination costs are separately charged to your account.

You are under no obligation to act on the investment/financial recommendations we provide. In addition, if you elect to act on any of the recommendations, you are under no obligation to effect the transaction(s) through our firm. You are free to select any brokerage firm or insurance agency or similar sales agency for implementation of the advice and recommendations we provide. Also, while we believe our advisory fees are competitive, you may be able to obtain lower fees for comparable services from other sources.

Employees, and non-employee (outside) solicitors, who are directly responsible for bringing a client to our firm, will receive compensation for client referrals equal to a defined percentage of the advisory fee actually charged and collected by us. See *Client Referrals and Other Compensation* section below for details.

Buying Securities on Margin and Margin Interest

If suitable for you, you may open a margin account for the purpose of borrowing funds for securities purchases. If a margin account is opened, you will be charged interest on any credit balance extended to or maintained on your behalf at the custodian. While the value of the margined security will appear as a debit on your statement the margin balance in an account(s) you will not be assessed an asset-based advisory fee on the margin balance in your account.

Compensation for the Sale of Insurance Products

Persons providing investment advice on behalf of our firm are licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. You are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

Item 6 Performance-Based Fees and Side-By-Side Management

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

Item 7 Types of Clients

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

In general, we require that you have at least \$50,000 in assets to establish an advisory consulting relationship with us. At our discretion, we may waive or lower this minimum. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

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

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

Methods of Analysis

We may use one or more of the following methods of analysis when formulating investment advice:

- **Fundamental Analysis** - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- **Cyclical Analysis** - a type of technical analysis that involves evaluating recurring price patterns and trends.
- **Strategic Asset Allocation** - a strategy for sensible diversification. Diversification means spreading your investments across multiple asset classes to help reduce exposure to market volatility. While diversification does not eliminate risk of loss, you are better able to manage the effects of market volatility.

Associated Risks

Fundamental Analysis - The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

Investment Strategies

We may use one or more of the following investment strategies when providing investment advice to you:

Modern Portfolio Theory - a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully diversifying the proportions of various assets.

Risk: Market risk is that part of a security's risk that is common to all securities of the same general class (stocks and bonds) and thus cannot be eliminated by diversification.

Long-Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

Risk: Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial information, liquidity needs and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio. **It is important that you notify us immediately with respect to any material changes to your financial circumstances, including for example, a change in your current or expected income level, tax circumstances, or employment status.**

We will not perform quantitative or qualitative analysis of individual securities. Instead, we will advise you on how to allocate your assets among various classes of securities or third party money managers. We primarily rely on investment model portfolios and strategies developed by the third party

money managers and their portfolio managers. We may replace/recommend replacing a third party money manager if there is a significant deviation in characteristics or performance from the stated strategy and/or benchmark.

Tax Considerations

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Our firm will either instruct the custodian to use the tax lot optimizer where lots are selected and sold with the objective of taking losses first (short-term then long-term) and gains last (long-term then short-term) for calculating and reporting the cost basis of your mutual fund and equity investments, or the custodian will default to average cost for mutual funds and the FIFO method for equities where no instruction is given.

You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

Risk of Loss

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

Other Risk Considerations

When evaluating risk, financial loss may be viewed differently by each client and may depend on many different risks, each of which may affect the probability and magnitude of any potential losses. The following risks may not be all-inclusive, but should be considered carefully by a prospective client before retaining our services.

Liquidity Risk: The risk of being unable to sell your investment at a fair price at a given time due to high volatility or lack of active liquid markets. You may receive a lower price or it may not be possible to sell the investment at all.

Credit Risk: Credit risk typically applies to debt investments such as corporate, municipal, and sovereign fixed income or bonds. A bond issuing entity can experience a credit event that could impair or erase the value of an issuer's securities held by a client.

Inflation and Interest Rate Risk: Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of a client's future interest payments and principal. Inflation also generally leads to higher interest rates which may cause the value of many types of fixed income investments to decline.

Horizon and Longevity Risk: The risk that your investment horizon is shortened because of an

unforeseen event, for example, the loss of your job. This may force you to sell investments that you were expecting to hold for the long term. If you must sell at a time that the markets are down, you may lose money. Longevity Risk is the risk of outliving your savings. This risk is particularly relevant for people who are retired, or are nearing retirement.

Margin Transactions - a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan. If the value of the shares drops sufficiently, the investor will be required to either deposit more cash into the account or sell a portion of the stock in order to maintain the margin requirements of the account. This is known as a "margin call." An investor's overall risk includes the amount of money invested plus the amount that was loaned to them.

Recommendation of Particular Types of Securities

We primarily offer advice on no-load mutual funds, exchange traded funds ("ETFs"), U.S. Government securities and tax-exempt bonds. However, we may advise on other types of investments as appropriate for you since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with the investment.

Money Market Funds: A money market fund is technically a security. The fund managers attempt to keep the share price constant at \$1/share. However, there is no guarantee that the share price will stay at \$1/share. If the share price goes down, you can lose some or all of your principal. The U.S. Securities and Exchange Commission ("SEC") notes that "While investor losses in money market funds have been rare, they are possible." In return for this risk, you should earn a greater return on your cash than you would expect from a Federal Deposit Insurance Corporation ("FDIC") insured savings account (money market funds are not FDIC insured). Next, money market fund rates are variable. In other words, you do not know how much you will earn on your investment next month. The rate could go up or go down. If it goes up, that may result in a positive outcome. However, if it goes down and you earn less than you expected to earn, you may end up needing more cash. A final risk you are taking with money market funds has to do with inflation. Because money market funds are considered to be safer than other investments like stocks, long-term average returns on money market funds tends to be less than long term average returns on riskier investments. Over long periods of time, inflation can eat away at your returns.

Municipal Securities: Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

Stocks: There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, better established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") are but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Mutual Funds and Exchange Traded Funds: Mutual funds and exchange traded funds ("ETFs") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of its Underlying Index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their Underlying Indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its Underlying Index, or its weighting of investment exposure to such securities may vary from that of the Underlying Index. Some ETFs may invest in securities or financial instruments that are not included in the Underlying Index, but which are expected to yield similar performance.

Variable Annuities: A variable annuity is a form of insurance where the seller or issuer (typically an insurance company) makes a series of future payments to a buyer (annuitant) in exchange for the immediate payment of a lump sum (single-payment annuity) or a series of regular payments (regular-payment annuity). The payment stream from the issuer to the annuitant has an unknown duration based principally upon the date of death of the annuitant. At this point, the contract will terminate and the remainder of the funds accumulated forfeited unless there are other annuitants or beneficiaries in the contract. Annuities can be purchased to provide an income during retirement. Unlike fixed annuities that make payments in fixed amounts or in amounts that increase by a fixed percentage, variable annuities, pay amounts that vary according to the performance of a specified set of investments, typically bond and equity mutual funds. Many variable annuities typically impose asset-based sales charges or surrender charges for withdrawals within a specified period. Variable annuities may impose a variety of fees and expenses, in addition to sales and surrender charges, such as mortality and expense risk charges; administrative fees; underlying fund expenses; and charges for special features, all of which can reduce the return. Earnings in a variable annuity do not provide all the tax advantages of 401(k)s and other before-tax retirement plans. Once the investor starts withdrawing money from their variable annuity, earnings are taxed at the ordinary income rate, rather than at the lower capital gains rates applied to other non-tax-deferred vehicles which are held for more than one year. Proceeds of most variable annuities do not receive a "step-up" in cost basis when the owner dies like stocks, bonds and mutual funds do. Some variable annuities offer "bonus credits." These are usually not free. In order to fund them, insurance companies typically impose mortality and expense charges and surrender charge periods. In an exchange of an existing annuity for a new annuity (so-called 1035 exchanges), the new variable annuity may have a lower contract value and a smaller death benefit; may impose new surrender charges or increase the period of time for which the surrender charge applies; may have higher annual fees; and provide another commission for the broker.

Real Estate: Real estate is increasingly being used as part of a long-term core strategy due to increased market efficiency and increasing concerns about the future long-term variability of stock and bond returns. In fact, real estate is known for its ability to serve as a portfolio diversifier and inflation hedge. However, the asset class still bears a considerable amount of market risk. Real estate has shown itself to be very cyclical, somewhat mirroring the ups and downs of the overall economy. In addition to employment and demographic changes, real estate is also influenced by changes in interest rates and the credit markets, which affect the demand and supply of capital and thus real estate values. Along with changes in market fundamentals, investors wishing to add real estate as part of their core investment portfolios need to look for property concentrations by area or by property type. Because property returns are directly affected by local market basics, real estate portfolios that are too heavily concentrated in one area or property type can lose their risk mitigation attributes and bear additional risk by being too influenced by local or sector market changes.

Real Estate Investment Trust: A real estate investment trust ("REIT") is a corporate entity which invests in real estate and/or engages in real estate financing. A REIT reduces or eliminates corporate income taxes. REITs can be publicly or privately held. Public REITs may be listed on public stock exchanges. REITs are required to declare 90% of their taxable income as dividends, but they actually pay dividends out of funds from operations, so cash flow has to be strong or the REIT must either dip into reserves, borrow to pay dividends, or distribute them in stock (which causes dilution). After 2012, the IRS stopped permitting stock dividends. Most REITs must refinance or erase large balloon debts periodically. The credit markets are no longer frozen, but banks are demanding, and getting, harsher terms to re-extend REIT debt. Some REITs may be forced to make secondary stock offerings to repay debt, which will lead to additional dilution of the stockholders. Fluctuations in the real estate market can affect the REIT's value and dividends.

Item 9 Disciplinary Information

Our firm has been registered and providing investment advisory services since 1993. Neither our firm nor any of our management personnel has any reportable disciplinary information.

Item 10 Other Financial Industry Activities and Affiliations

Our firm is affiliated with Commonwealth Asset Management, Inc. ("CAM") through common control and ownership. CAM provides financial advice on non-securities related assets and business related services. Our advisory clients may also be clients of CAM. The services offered and fees paid to CAM are separate and distinct from the advisory services offered through Commonwealth Advisory Group. Given the common control of both entities, there is an incentive for Commonwealth Advisory Group, and its personnel, to recommend to its clients the services of CAM.

Recommendation of Other Advisers

We may recommend that you use a third party money manager ("TPMM") based on your needs and suitability. Advisory fees charged by TPMMs are separate and apart from our advisory fees. Assets managed by TPMMs will be included in calculating our advisory fee, which is based on the fee schedule set forth in the *Portfolio Management Services* section in this brochure. Advisory fees that you pay to the TPMM are established and payable in accordance with the brochure provided by each TPMM to whom you are referred. These fees may or may not be negotiable. You should review the recommended TPMM's brochure and take into consideration the TPMM's fees along with our fees to determine the total amount of fees associated with this program.

You may be required to sign an agreement directly with the recommended TPMM(s). You may terminate your advisory relationship with the TPMM according to the terms of your agreement with them. You should review each TPMM's disclosure brochure for specific information on how you may

terminate your advisory relationship with them and how you may receive a refund, if applicable. You should contact the TPMM directly for questions regarding your advisory agreement with them. You are not obligated, contractually or otherwise, to use the services of any TPMM we recommend.

Licensed Insurance Agent

Persons providing investment advice on behalf of our firm may be licensed as insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate from our advisory fees. See the *Fees and Compensation* section in this brochure for more information on the compensation received by insurance agents who are affiliated with our firm.

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

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to serve your best interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies and procedures reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm. Such non-public, confidential information generally means all information not publicly available (through the media or public records) and includes, but is not limited to:

- The composition of client portfolios
- Certain records, procedures and other proprietary information
- Family or personal information

It is our firm's policy that employees must not disclose, directly or indirectly, any confidential information to anyone other than firm personnel and authorized professional advisors such as broker dealers, attorneys, and accountants who need such information in order to perform their professional services.

Participation or Interest in Client Transactions

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services, and activities as a licensed insurance agent, as otherwise disclosed in the *Advisory Business* section and *Fees and Compensation* section of this Brochure.

Personal Trading Practices

Associated Persons of our firm may buy or sell investment products for their personal accounts identical to those recommended to clients or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, where we trade on the same trading day, it is our policy that no person employed by our firm may purchase or sell any security for themselves prior to transactions implemented for an advisory account to prevent employees from benefiting from transactions placed on behalf of advisory accounts.

Item 12 Brokerage Practices

We endeavor to select brokers or dealers that provide quality services at reasonable commission rates and fees. The reasonableness of commissions and fees is based on several factors, including the broker's ability to provide professional services, competitive commission rates, volume discounts, execution price negotiations, and other services

We routinely recommend the brokerage and custodial services of Charles Schwab & Co. ("Schwab"), a securities broker-dealer and member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. We believe that Schwab provides quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by Schwab, including the value of research provided their reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services Schwab provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

Schwab provides us 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. These services are not otherwise contingent upon us committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, 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.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Advisor Services also makes available to us other products and services that benefit us but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering your accounts include software and other technology that (i) provide access to your account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of our fees from your account; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Advisor Services also offers other services intended to help us manage and further develop our business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to us. Schwab Advisor Services may 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 us. Schwab Advisor Services may also provide other benefits such as educational events or occasional business entertainment to us.

Our firm receives PortfolioCenter™ software solutions that are provided by Envestnet / Tamarac. Schwab Institutional sponsors this arrangement where we are entitled to a discount of up to \$5,000 which is applied to the annual PortfolioCenter™ maintenance fees incurred during the first twelve months of services. We will be billed for all remaining maintenance fees, net of discounts. The discount applies to the first twelve months of service only. Thereafter, the standard fees for access to PortfolioCenter™ will apply.

Brokerage for Client Referrals

We do not select or recommend broker-dealers on the basis of receiving client referrals from broker-dealers. As stated above, we recommend and use Schwab for custody and brokerage services.

Directed Brokerage

In limited circumstances, and at our discretion, some clients may instruct our firm to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this might prevent our firm from aggregating trades with other client accounts or from effectively negotiating brokerage commissions on your behalf. This practice may also prevent our firm from obtaining favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

Block Trades

Where appropriate, we may combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

Item 13 Review of Accounts

Portfolio Management Services

The Investment Advisory Representative of our firm assigned to your account(s) will monitor your account(s) on a periodic basis and will offer account reviews at least quarterly to ensure the advisory services provided to you are consistent with your stated investment objectives. This review will include a comparison of your portfolio's current asset allocation against the strategic asset allocation defined in your investment objectives. As a result of this comparison, we may discuss portfolio rebalancing with you after this review.

We will provide you a performance evaluation along with a portfolio appraisal report every quarter. We will also include information pertaining to the capital markets or changes in account control procedures. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

Financial Planning Services

The Investment Advisory Representative of our firm assigned to your account will review your financial plan as needed, depending on the arrangements made with you at the inception of your advisory relationship and any information discussed between you and such representative at the time you sign the financial planning agreement. The purpose of the review is to ensure that the planning advice made to you remains consistent with your stated investment needs and objectives. We recommend meeting with you at least annually to review and update your plan if needed.

We do not intend to provide regular written reports for financial planning and consulting services. Once we gather information about your financial circumstances and objectives, we will use this information to produce a retirement cash flow analysis specifically for you. This analysis may be provided to you separately or used in developing your overall investment plan and objectives and discussed with you during your quarterly reviews. If you receive financial planning advice through our firm, you will receive trade confirmations and monthly or quarterly statements from your qualified custodian(s).

Item 14 Client Referrals and Other Compensation

We may compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires.

You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

Item 15 Custody

Provided we receive your written authorization, we directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds and/or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

If you have a question regarding your account statement, or if you did not receive a statement from your custodian, please contact us directly at the telephone number on the cover page of this brochure.

Standing Letter of Authorization

Our firm, or persons associated with our firm, may effect transfers from client accounts to one or more third parties designated, in writing, by the client without obtaining written client consent for each separate, individual transaction, as long as the client has provided us with written authorization to do so. Such written authorization is known as a Standing Letter of Authorization. An adviser with authority to conduct such third party wire transfers on a client's behalf has access to the client's assets, and therefore has custody of the client's assets in any related accounts.

However, we do not have to obtain a surprise annual audit, as we otherwise would be required to by reason of having custody, as long as we meet the following criteria:

1. You provide a written, signed instruction to the qualified custodian that includes the third party's name and address or account number at a custodian;
2. You authorize us in writing to direct transfers to the third party either on a specified schedule or from time to time;
3. Your qualified custodian verifies your authorization (e.g., signature review) and provides a transfer of funds notice to you promptly after each transfer;
4. You can terminate or change the instruction;
5. We have no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party;
6. We maintain records showing that the third party is not a related party to us nor located at the same address as us; and
7. Your qualified custodian sends you, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

We hereby confirm that we meet the above criteria.

Item 16 Investment Discretion

Our firm will manage your accounts on a non-discretionary basis which means we will obtain your approval prior to making purchases, implementing any changes in your accounts and/or changing allocations in your accounts. You have an unrestricted right to decline to implement any advice provided by our firm. Please be aware that it may be necessary to liquidate certain positions without prior approval only in the case where there are insufficient funds in the money market account to cover our agreed upon quarterly fee.

Item 17 Voting Client Securities

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

Item 18 Financial Information

Our firm does not have any financial impairments that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$1,200 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this brochure.

Item 19 Requirements for State-Registered Advisers

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

Item 20 Additional Information

Your Privacy

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees who need that information in order to provide products or services to you. It is our policy that individuals employed by the firm must not disclose, directly or indirectly, any confidential information to anyone other than firm personnel and authorized professional advisors such as broker dealers, attorneys, and accountants who need such information in order to perform their professional services.

We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact Lisa Stein, Chief Compliance Officer at 412-531-6040 if you have any questions regarding this policy.

See also the *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading* section for more information on how we protect your personal information.

Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, you will keep the profit.

Class Action Lawsuits

We do not determine if securities held by you are the subject of a class action lawsuit, nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.