

# Form ADV

March 28, 2018

Part 2A

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## Strategic Financial Group, LLC

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This brochure (“Brochure”) provides information about the qualifications and business practices of Strategic Financial Group, LLC (“SFG”). You should review this Brochure in conjunction with our separate brochure supplement (“Supplement”). The Supplement(s) has been prepared for the purpose of providing information about the qualifications and background of the supervised person(s) working with you on our behalf or who may otherwise participate in the advisory services provided to you. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

If you have any questions about the contents of this Brochure or our Supplement(s), please contact us at 219.736.8902 or [srkuczera@sfgweb.com](mailto:srkuczera@sfgweb.com). Additional information about SFG or any of our supervised persons (who are registered under our firm) is also available on the SEC’s Investment Adviser Public Disclosure (“IAPD”) which can be found at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The format/layout of this Brochure has been dictated by the SEC. As such, the Brochure’s table of contents can be found after the “Material Changes” section of this Brochure, not at the beginning of the Brochure. The subsections appearing under each heading shall follow the mandated ordering of the items required to be addressed in this Brochure as set forth in the instructions and guidance issued by the SEC in regard to Part 2A of the Form ADV. SFG’s response to each such item shall immediately follow each numbered item. We encourage any reader of this Brochure to also refer to the SEC’s instructions and guidance related to Part 2A of the Form ADV. Throughout this Brochure, any references to “we,” “our,” “ours,” “us,” etc. are meant to refer to SFG.

## **II. Material Changes**

Filing date of last annual ADV update: March 28, 2018

Since the filing of our most recent annual ADV no material changes have taken place.

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## Key Definitions

There are several terms used throughout this Brochure that are defined in the Glossary of the Form ADV. The full Form ADV and its glossary can be found on the SEC's web site at <http://www.sec.gov/about/forms/formadv.pdf>, however, several of the more important terms that are used throughout this Brochure are provided below for your reference. The definitions appear below as they appear in the glossary of the ADV so be mindful that all references made to "you," "your," or "yours" are intended to refer to SFG. Each term is presented in alphabetical order, not necessarily its order of appearance or use in this Brochure.

**Advisory Affiliate:** Your advisory affiliates are (1) all of your officers, partners, or directors (or any person performing similar functions); (2) all persons directly or indirectly controlling or controlled by you; and (3) all of your current employees (other than employees performing only clerical, administrative, support or similar functions).

**Control:** Control means the power, directly or indirectly, to direct the management or policies of a person, whether through ownership of securities, by contract, or otherwise. Each of your firm's officers, partners, or directors exercising executive responsibility (or persons having similar status or functions) is presumed to control your firm. A person is presumed to control a corporation if the person: (i) directly or indirectly has the right to vote 25 percent or more of a class of the corporation's voting securities; or (ii) has the power to sell or direct the sale of 25 percent or more of a class of the corporation's voting securities. A person is presumed to control a partnership if the person has the right to receive upon dissolution, or has contributed, 25 percent or more of the capital of the partnership. A person is presumed to control a limited liability company ("LLC") if the person: (i) directly or indirectly has the right to vote 25 percent or more of a class of the interests of the LLC; (ii) has the right to receive upon dissolution, or has contributed, 25 percent or more of the capital of the LLC; or (iii) is an elected manager of the LLC. A person is presumed to control a trust if the person is a trustee or managing agent of the trust.

**Management Persons:** Anyone with the power to exercise, directly or indirectly, a controlling influence over your firm's management or policies, or to determine the general investment advice given to the clients of your firm. Generally, all of the following are management persons: Your firm's principal executive officers, such as your chief executive officer, chief financial officer, chief operations officer, chief legal officer, and chief compliance officer; your directors, general partners, or trustees; and other individuals with similar status or performing similar functions; The members of your firm's investment committee or group that determines general investment advice to be given to clients; and If your firm does not have an investment committee or group, the individuals who determine general investment advice provided to clients (if there are more than five people, you may limit your firm's response to their supervisors).

**Person:** A natural person (an individual) or a company. A company includes any partnership, corporation, trust, limited liability company ("LLC"), limited liability partnership ("LLP"), sole proprietorship, or other organization.

**Related Person:** Any advisory affiliate and any person that is under common control with your firm.

**Self-Regulatory Organization or SRO:** Any national securities or commodities exchange, registered securities association, or registered clearing agency. For example, the Chicago Board of Trade ("CBOT"), FINRA and New York Stock Exchange ("NYSE") are self-regulatory organizations.

**Supervised Person:** Any of your officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on your behalf and is subject to your supervision or control.

## **IV. Advisory Business**

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### **IV.(A). SFG at a Glance**

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Strategic Financial Group, LLC (SFG) passionately delivers comprehensive financial services to our clients - highly compensated professionals, business owners, executives, and high net worth families - utilizing an efficient, unique, proactive team approach that combines individualized analysis, expert planning, and precise, timely implementation with unmatched integrity.

We consider our clients' current and future financial needs along with their goals and aspirations, while co-creating a path to achieve a more expansive, financially secure future.

Strategic's passion is evidenced by the joy of producing stellar results in an environment where mutual appreciation of our diverse talents creates a mentally and physically healthy atmosphere for every one of our workmates. These pervasive elements are critical to both our clients' success and our own success.

SFG was formed in April 1996, and initially filed as a Registered Investment Advisor on August 10, 2007. Strategic Financial Group Holdings, LLC owns at least 25% direct ownership of SFG.

### **IV.(B). SFG's Advisory Services**

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We generally provide investment advice in relation to the following specific types of securities/investments.

- Individual domestic and multi-national equities
- Individual fixed income instruments, including taxable and tax-exempt bonds
- Mutual funds (closed end and open end funds)
- Exchange traded funds (ETFs)
- US Government Securities
- Warrants
- REITS
- Master Limited Partnerships
- Alternative investments
- Hedge funds
- Private partnerships
- Corporate debt instruments
- Commercial paper
- Certificates of deposit
- Options on securities
- Managed commodities Managed commodities and futures through mutual fund and managed futures fund products
- Variable annuities

#### **Description of Services and Fees**

On a discretionary basis, we utilize proprietary model portfolio strategies, along with the design of custom investment management portfolios for you, our clients. Investment decisions are based on factors such as your investment objective, risk tolerance, net worth, net income, age, time horizon, tax situation and other suitable factors. Discretionary actions we will take include the selection of securities to be bought or sold, the amount of securities bought or sold, the timing as to when such securities are bought or sold, and the broker-dealer or custodian to be used. Specific discretionary authority will be set forth in your advisory service agreement (Agreement) with us.

On a non-discretionary basis, we may provide periodic review and investment recommendations to you on your accounts held both directly with us (Assets Under Management) as well as on accounts held elsewhere (Other Assets). If our recommendations to you are approved/authorized, we will facilitate the execution of such recommendations in accounts held directly with us, we may take discretion as to the timing of the transaction or the setting of limit prices related to such recommendations. If recommendations relate to Other Assets, you will be responsible to execute those recommendations.

#### Fees for Ongoing Asset Management

Fees for ongoing asset management are asset based, quoted on an annualized basis and may be valued and assessed as frequently as quarterly. Fees may be payable in advance or in arrears. The specific methodology and frequency of fee calculation and deduction will be set forth in your Agreement with us. The maximum aggregate fee is 2.75%. Minimum account size is \$250,000. Your fee schedule is determined as a combination of an Advisor Base Fee, on Assets Under Management and Other Assets, plus an Advisor Strategies Fee, if applicable on Assets Under Management. In limited circumstances, a fixed, flat fee may be charged. All fees will be invoiced by the fifth business day of the month following the most recently ended billing period. If not directly deducted from your account, payment is due by the final business day of the month in which the invoice is generated. If payment is set up via credit card, the fee due will be charged by the 15th of the month following the most recently ended billing period. Fee arrangements and minimum account sizes may be negotiable at our sole discretion. Accounts may be grouped by household for the purposes of calculating advisory fees and account minimums.

#### Advisor Base Fee:

Account/Portfolio Value	Annual Percentage
\$0 to \$99,999	2.00%
\$100,000 to \$249,999	1.75%
\$250,000 to \$499,999	1.50%
\$500,000 to \$749,999	1.25%
\$750,000 to \$999,999	1.25%
\$1,000,000 to \$2,499,999	0.90%
\$2,500,000 to \$4,999,999	0.80%
\$5,000,000 to \$9,999,999	0.70%
Over \$10,000,000	0.60%

Minimum Base Advisory Fee: \$500

#### Advisor Strategies Fee (Annual Percentage):

Account/Portfolio Value	Focus	Advantage	Institutional
\$0 to \$99,999	0.25%	0.50%	0.75%
\$100,000 to \$249,999	0.25%	0.50%	0.75%
\$250,000 to \$499,999	0.25%	0.50%	0.75%
\$500,000 to \$749,999	0.25%	0.50%	0.75%
\$750,000 to \$999,999	0.25%	0.50%	0.75%
\$1,000,000 to \$2,499,999	0.20%	0.40%	0.60%
\$2,500,000 to \$4,999,999	0.15%	0.35%	0.55%
\$5,000,000 to \$9,999,999	0.10%	0.30%	0.50%
Over \$10,000,000	0.05%	0.25%	0.40%

#### Additional Fees and Expenses

As part of our ongoing asset management services, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for ongoing asset management services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses, you may also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and

fees are typically imposed by the broker-dealer or custodian through which your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm and others.

With the execution of the Agreement, you will be asked to sign an authorization that will allow the custodian of any of your account(s) to debit the account(s) the amount of our service fees and remit the fee to us. This authorization will remain valid unless and until we receive a written revocation of such authorization from you. In connection with this fee deduction process, the custodian will send you a statement, at least quarterly, indicating the amounts disbursed from the account and the amount of advisory fees paid directly to us. Approved on a case by case basis, client may be billed directly by us for our fees.

Either party may terminate the ongoing asset management services Agreement upon written notice to the other party. You will incur a pro rata charge for services rendered prior to the termination of the Agreement, which means you will incur fees only in proportion to the number of days in the billing period for which you are a client. If you have pre-paid ongoing asset management fees that we have not yet earned, you will receive a pro-rated refund of those fees. Refunds of advance payments owed back to you shall be paid as soon as reasonably possible but not sooner than ten (10) business days after our receipt of your termination notice.

In certain instances, it may be appropriate to recommend or select other investment advisors or sub-advisors not associated with our firm to provide specific investment management services related to your accounts. Our services to you in relation to these other advisors will be to assist you in choosing investment objectives and asset allocation, setting restrictions or limitation on the management of the account, explaining portfolio strategies and transactions and answering any of your questions. We will monitor such outside advisors' performance with respect to their management of your assets. We will not possess or exercise discretionary authority with respect to these services. You should review the outside advisors' ADV Part 2A for a full description of the advisor's specific services and fee additional fees.

#### Fees for Other Investment Managers

Fees for other investment managers or sub-advisors are asset based, quoted on an annualized basis and may be valued and assessed as frequently as quarterly. Fees are payable in advance. All fees will be invoiced by the fifth business day of the month following the most recently ended billing period. If not directly deducted from your account, payment is due by the final business day of the month in which the invoice is generated. If payment is set up via credit card, the fee due will be charged by the 15<sup>th</sup> of the month following the most recently ended billing period. The specific methodology and frequency of fee calculation and deduction will be set forth in your Agreement with us. The maximum aggregate fee is 1.50%. Your fee schedule is our Advisor Base fee listed below, and there may be additional fees charged by the outside investment manager for managing client assets. Our fee arrangements and minimum account sizes may be negotiable at our sole discretion.

#### Advisor Base Fee:

Account/Portfolio Value	Annual Percentage
\$0 to \$499,999	1.50%
\$500,000 to \$999,999	1.25%
\$1,000,000 to \$1,999,999	1.10%
\$2,000,000 to \$4,999,999	0.95%
\$5,000,000 to \$10,000,000	0.80%
Over \$10,000,000	0.65%

Minimum Advisor Base Fee: \$500

#### Additional Fees and Expenses

As part of the outside investment advisors' services, they may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for outside investment advisors services are separate



and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses, you will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm and others.

With the execution of the Agreement, you will be asked to sign an authorization that will allow the custodian of any of your account(s) to debit the account(s) the amount of our service fees and remit the fee to us. This authorization will remain valid unless and until we receive a written revocation of such authorization from you. In connection with this fee deduction process, the custodian will send you a statement, at least quarterly, indicating the amounts disbursed from the account and the amount of advisory fees paid directly to us. Approved on a case by case basis, client may be billed directly by us for our service fee.

Either party may terminate the other investment advisors' services Agreement upon written notice to the other party. You will incur a pro rata charge for services rendered prior to the termination of the Agreement, which means you will incur fees only in proportion to the number of days in the billing period for which you are a client. If you have pre-paid investment advisory fees that we have not yet earned, you will receive a pro-rated refund of those fees. Refunds of advance payments owed back to you shall be paid as soon as reasonably possible but not sooner than ten (10) business days after our receipt of your termination notice.

We offer broad based, issue based and consultative financial planning services. Our financial planning services may involve consultation, analysis and recommendation in the six areas of financial planning, including 1) financial planning, 2) tax planning, 3) insurance analysis, 4) investment analysis, 5) retirement planning, and 6) estate planning. Upon review of your present financial situation, we may provide a written analysis and report of recommendations in accordance with your goals and objectives. This service may include an initial consultation and subsequent follow-up visits. Unless separately engaged to do so, we will not be responsible for the implementation of the plan. No discretionary authority with regards to investments is taken with respect to these financial planning services.

#### Fees for Financial Planning

Fee arrangements may be set as a fixed, flat annual fee for ongoing financial planning services, or as a non-annual fee for a one time comprehensive or issue based financial planning analysis. Fee arrangements will be set based on our best estimate of the financial planning services to be offered for each client. Specific fees and costs will be set forth in your Agreement with us

For financial planning services, generally we require ½ of the agreed fee to be paid at the initiation of the planning data gathering process, with the balance due at the time of the first presentation meeting. For ongoing financial planning services, all fees will be invoiced by the fifth business day of the month following the most recently ended billing period. If not directly deducted from your account, payment is due by the final business day of the month in which the invoice is generated. If payment is set up via credit card, the fee due will be charged promptly upon receipt of the signed Agreement and/or upon completion of the first presentation meeting. Upon receipt of proper notice of termination, we will calculate a refund, based on documented billable hours already input into the financial plan development as of the effective termination date. Refunds of advance payments owed back to you shall be paid as soon as reasonably possible.

We also provide advice or consulting services to clients on matters not directly related to ongoing asset management, other investment advisory services or financial planning services. Such services may include, but would not be limited to, the following:

- One-time analysis of investments accounts/portfolios
- Insurance related services and planning;
- Communications regarding investment or investment-related matters;

- Serving as an expert witness in judicial or arbitration proceedings, conferring with other professionals or service providers (i.e. accountants, CPAs, attorney's, etc.) regarding investment or investment-related matters on your behalf;
- Tax planning and/or tax preparation;
- Estate planning
- Mortgage financing;
- College funding;
- Savings strategies;
- Business Planning;
- Divorce Planning; or,
- Other services as may be specifically requested.

SFG may or may not provide any written documentation or other work product in relation to these consultations. If you wish to engage us for some type of service not specifically mentioned or referred to in the listing above, you may provide us with guidance as to the scope of the engagement. Regardless of the services ultimately requested, the specific services and corresponding fees will be set forth in your Agreement. We will not possess or otherwise exercise discretionary authority with respect to this service offering.

#### Fees for Individual Consultations

Fee arrangements may be set as hourly, fixed, flat annual fee, or as an annual recurring fee for consulting services, dependent upon the scope of the engagement. Fee arrangements will be set based on our best estimate of the type and term of the consultative services to be offered for each client.

In addition to our fees, you may be assessed other fees by parties independent from us. You may also incur, relative to certain investment products (such as mutual funds and exchange traded funds) charges imposed directly at the investment product level (i.e. advisory fees, administrative fees, and other funds expenses.) Brokerage fees, commissions charged to you for securities trade executions may be billed to you by the broker-dealer or custodian of record for your account, not us. Any such fees are exclusive of, and in addition to our compensation. You will be solely and directly responsible for all fees, including fees other than those we may bill directly to you.

Fees may be charged in advance or in arrears. A portion of fees may be required to be paid at the initiation of the consulting engagement, during the course of the consulting engagement, and/or with the balance due upon completion of the consulting engagement. If not directly deducted from your account, payment is due by the final business day of the month in which the invoice is generated. If payment is set up via credit card, the fees due will be charged promptly upon receipt of the signed Agreement and/or upon completion of the first presentation meeting. Upon receive of proper notice of termination, we will calculate a refund, based on documented billable hours already input into the consultative services engagement, as of the effective termination date. Refunds of advance payments owed back to you shall be paid as soon as reasonably possible. Specific fee arrangements will be set forth in your Agreement with us.

We offer pension consulting services to various types of pension plans, including but not limited to, profit sharing plans, employee stock ownership plans, and 401(k) plans. Collectively, we consider these types of plans as a specific segment of our client base and in turn, we will refer to these types of plans as 'Pension Clients'.

We gather and review extensive information regarding each Pension Client on an individualized basis including each Pension Client's objectives and needs. Our pension consulting services include plan feasibility, plan design, and/or plan review, among others.

Other than those briefly described above, there are several distinct activities that may be available under our pension consulting services. These services may be provided separately or in combination with one another. Although not all-inclusive, the following information will describe some of the activities offered under our pension consulting services.

*Preparation of Investment Policy Statement (“IPS”):*

We may meet with a Pension Client to determine the relevant plan’s investment needs and goals. If required by the Pension Client, we will then prepare a written IPS stating those needs and goals and encompassing a policy under which these goals are to be achieved. The IPS will also list the criteria for selection of plan’s investment options/vehicles and the procedures and timing interval for monitoring of investment performance.

*Recommendation of Investment Options:*

The number and type of investment options/vehicles to be recommended will be determined by the Pension Client, based upon the plan’s stated needs. We will review various investments, consisting predominantly of mutual funds (both index and managed) to determine which of these investments are appropriate to implement the Pension Client’s IPS. Our review process will result in the recommendation of specific investment options for the Pension Client to consider for inclusion in the list of plan investment options.

*Monitoring of Investment Performance:*

A plan’s investment options will be monitored continuously based on the procedures and timing intervals delineated in the IPS or as otherwise set forth by the Pension Client. Although we will not be involved in any way in the purchase or sale of these investments, we will supervise the plan portfolio and will make recommendations to the Pension Client as market factors and the plan’s needs dictate.

*Plan Performance Reporting:*

In conjunction with our monitoring activities, we may also provide periodic reports regarding the performance of a pension plan and its underlying investment options. Such reports may include analysis from both us as well as outside parties engaged by us to provide additional analysis in regard to such plans. Such outside parties would be engaged exclusively by SFG and not by a Pension Client.

*Employee Communications:*

For Pension Clients whose plans offer plan participants the ability to self-direct their own investments, we may also provide educational support and investment workshops designed for the plan participants. The nature of the topics to be covered will be determined by us and in conjunction with a Pension Client under the appropriate ERISA guidelines. The educational support and investment workshops will not be designed so as to provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

*Advice to Participants:*

We may also provide individualized advice to plan participants. This service includes a review of a participant’s individual situation, including age, existing assets, financial goals and attitude towards risk, and recommending an allocation of assets offered by the plan based on this information. Unless separately engaged to do so by a plan participant, we will not monitor a plan participant’s situation or otherwise supervise or consult on the ongoing management of a participant’s assets within the plan or otherwise.

*Co-Fiduciary Relationship:*

For certain plans that are subject to the Employee Retirement Income Security Act of 1974 (“ERISA”), we will act as a ‘fiduciary’ as defined in ERISA.

*Fees for Pension Consulting Services*

Fees for pension consulting services are asset based, quoted on an annualized basis and may be valued and assessed as frequently as quarterly. Fees are payable in advance. The specific methodology and frequency of fee calculation

and deduction will be set forth in your Agreement with us. The maximum aggregate fee is 1.00%. Your fee schedule is determined from an Advisor Base Fee on Plan Assets. In limited circumstances, a fixed, flat fee may be charged. All fees will be invoiced by the fifth business day of the month subsequent to the most recently ended billing period. If not directly debited to your account, payment is due by the final business day of the month in which the invoice is generated. If payment is set up via credit card, the service fee due will be charged by the 15<sup>th</sup> of the month following invoicing. Fee arrangements and minimum account sizes may be negotiable at our sole discretion.

Advisor Base Fee:

Plan Asset Value	Annual Percentage
\$0 to \$999,999	1.00%
\$1,000,000 to \$1,999,999	0.90%
\$2,000,000 to \$4,999,999	0.80%
\$5,000,000 to \$10,000,000	0.70%
Over \$10,000,000	0.60%

Minimum Base Advisory Fee: \$1,000

Fees for Individual Consultations

Fee arrangements may also be set as a fixed, flat annual fee, or as an annual recurring fee for pension consulting services, dependent upon the scope of the engagement. Fee arrangements will be set based on our best estimate of the type and term of the pension consultative services to be offered for each client. Fixed or flat fees will begin at a minimum of \$750, or an hourly fee up to \$350.

In addition to our service fees, you may be assessed other fees by parties independent from us. You may also incur, relative to certain investment products (such as mutual funds and exchange traded funds) charges imposed directly at the investment product level (i.e. advisory fees, administrative fees, and other funds expenses.) Brokerage fees, commissions charged to you for securities trade executions may be billed to you by the broker-dealer or custodian of record for your account, not us. Any such fees are exclusive of, and in addition to our compensation. You will be solely and directly responsible for all fees, including fees other than those we may bill directly to you.

Fees may be charged in advance or in arrears. Contemporaneously with the execution of the Agreement, you will be asked to sign an authorization that will allow the custodian of any of your account(s) to debit the plan assets the amount of our service fees and remit the fee to us. This deduction will occur within fifteen (15) days following the calendar quarter end. The authorization will remain valid unless and until we receive a written revocation of such authorization from you. In connection with this fee deduction process, the custodian will send you a statement, at least quarterly, indicating all amounts disbursed from the account and the amount of advisory fees paid directly to us.

For flat/fixed and hourly fees, you will be invoiced by the fifth business day of the month subsequent to the most recently ended billing period. Payment is due by the final business day of the month in which the invoice is generated. If payment is set up via credit card, the fee due will be charged by the 15<sup>th</sup> of the month following the most recently ended billing period. Either party may terminate the pension consulting services Agreement upon written notice to the other party. You will incur a pro rata charge for services rendered prior to the termination of the Agreement, which means you will incur fees only in proportion to the number of days in the billing period for which you are a client. If you have pre-paid ongoing pension consulting fees that we have not yet earned, you will receive a pro-rated refund of those fees. Refunds of advance payments owed back to you shall be paid as soon as reasonably possible but not sooner than ten (10) business days after our receipt of your termination notice. Specific fee arrangements will be set forth in your Agreement with us.

#### **IV.(C). Customization of Advisory Services**

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To the fullest extent possible, we will endeavor to tailor our advisory services to meet the specific needs of each and every client. In order to determine a suitable course of action for an individual client, we will perform a review of

our clients' financial circumstances and other factors that may influence the investment recommendations we may make to you from time to time. Such review may include, but would not necessarily be limited to, investment objectives, consideration of a client's overall financial condition, income and tax status, personal and business assets, risk profile, and other factors unique to a client's particular circumstances.

In making investment recommendations on behalf of a client, we will rely on a data gathering document or other questionnaire, which would be completed based on information provided by a client.

In certain instances, clients may impose any restrictions or other conditions with regard to how we provide our advisory services. If we agree to such restrictions and/or conditions, please be advised that restrictions and guidelines that you impose on our investment management functions may affect the composition and performance of custom portfolios (as a result, performance of custom portfolios within the same investment objective may differ and you should not expect that the performance of a custom portfolio will be identical to any other individual's portfolio performance) as well as any recommendations provided to you.

#### **IV.(D). Wrap Fee Program Participation**

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Our investment advisory services do not involve the use of wrap programs.

#### **IV.(E). Assets Under Management<sup>1</sup> ("AUM")**

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AUM (discretionary):	\$ 586,300,000
AUM (non-discretionary):	\$ 92,600,000
Total AUM <sup>2</sup> :	\$ 678,900,000
Date of AUM calculation:	December 31, 2017

### **V. Fees and Compensation**

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#### **V.(A). SFG Advisory Fees**

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Refer above to Item IV.(B).

#### **V.(B). Fee Collection Process**

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Refer above to Item IV.(B).

#### **V.(C). Other Fee/Expenses.**

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Refer above to Item IV.(B).

#### **V.(D). Fees Charged in Advance**

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Refer above to Item IV.(B).

#### **V.(E). Additional Compensation**

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In addition to providing services on behalf of SFG, certain supervised persons may also recommend and provide services through unrelated businesses with which they are associated, such as accounting, tax preparation or legal services. These outside business activities typically involve separate charges from those fees payable to SFG for our

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<sup>1</sup> The term, "assets under management" shall carry the same meaning as that term is defined by Form ADV.

<sup>2</sup> Rounded to the nearest \$100,000

Investment Advisory services, and reflect services that are not available through SFG and may present a conflict of interest. Clients are not required to utilize the outside services of the supervised person. Please see Items 10 and 14 below for additional details about conflicts of interest, and review your investment advisory representatives' Form ADV, Part 2B to verify whether they engage in any such outside business activities.

## **Conflicts of Interest**

The instructions in the Form ADV require us to tell you that the receipt or potential for the receipt of Additional Compensation may give certain of our supervised persons an incentive to recommend products based on the Additional Compensation received, rather than on your specific needs. Although we are obligated to tell you this, our objective as a firm, which is shared by our supervised persons, is to place nothing before your best interests.

*How we address these conflicts.* First and foremost, we address the conflicts described above in relation to Additional Compensation by disclosing them to you in this Brochure as well as your representative's Brochure Supplement. As a matter of general policy, we aggressively discourage activities that put your interests anywhere but first. Additionally, we have instituted a comprehensive supervisory process, detailed in our Written Supervisory Procedures ("WSPs") that was designed to address, among other things, conflicts of interest such as Additional Compensation. Internal policies prohibit the receipt of income from the sale of investment or insurance products by any supervised personnel. In addition, we have designated a Chief Compliance Officer, as set forth on Schedule A of our Form ADV, to be the party responsible for the overall application and oversight of our supervisory process and our WSPs. Our Chief Compliance Officer has the authority to delegate certain supervisory responsibilities to other supervised persons within our firm in order to ensure that our overall system of supervision is being carried out adequately and in a timely manner.

The potential conflict of interest resulting from the Additional Compensation described above often occurs in the investment industry. However, SFG only permits such arrangements when they are in the best interests of the client, and when appropriate light of the added examination, licensing, registration, and other regulatory oversight that also takes place. As of December 14, 2016, all current Investment Advisor Representatives of SFG are no longer dually registered with any other registered broker-dealer entity, and no future Investment Advisor Representative will be permitted to be dually registered.

Bear in mind that even if our supervised persons are not registered/licensed to sell the types of products/services addressed in the preceding section, the majority of your investments or transactions involving such products would still result in you paying some sort of commission for those products.

Any Additional Compensation received by our supervised persons in connection with the products/services described in the preceding section is deemed customary compensation for such activities and is not believed to be inappropriate.

*Procedures for disclosing these conflicts.* In an effort to inform you of these conflicts of interest, we have prepared this Brochure and have provided it to you, in part, for the purpose of disclosing these conflicts. You are always welcome to request a current copy of our Brochure. We are obligated to provide you a copy of this Brochure no later than the time you sign our Agreement and on an annual basis, we are required to provide you either (1) a copy of our current Brochure or (2) a set of instructions as to how you can request a copy of our current Brochure.

## **Client-Directed Brokerage**

You have the ability to purchase investment products that we recommend through any broker-dealer or other financial institution you choose. If you choose to use a firm other than the broker-dealer(s) we may normally recommend, we may not be able to properly monitor your assets and therefore we cannot be held responsible for the success or failure of any investment products or strategies that you implement at firms other than those we recommend. In other words, our services and responsibilities will not apply to transactions you effect on your own whether through firms you choose on your own or through any broker-dealer we may recommend.

## Brokerage Compensation

We are not registered as a broker-dealer and thus, we do not receive transaction-based compensation for securities-related activities.

## Advisory Fee Offset

In the event that we or our supervised persons receive compensation other than our advisory fees as described above in Item IV.(B), we will not adjust our advisory fees to offset those other fees.

## VI. Performance-Based Fees and Side-By-Side Management

We do not charge performance-based fees.

## VII. Types of Clients

We will generally provide our services to the following types of clients.

- Individuals
- High net worth individuals
- Pension plans / profit sharing plans
- Foundations / charitable organizations
- Trusts for natural persons
- Estates for natural persons
- Business or corporate entities

For information on any minimum fees, minimum initial/ongoing account balances, or other conditions we may impose, please refer to Item IV.(B).

## VIII. Methods of Analysis, Investment Strategies and Risk of Loss

### VIII.(A). Methods of Analysis

In the course of our management process and as appropriate on a case by case basis, we will employ some or all of the following methods of analysis. For a description of the risks related to each particular method of analysis, see the information following each analysis method description. A description of each key risk appears later in this section.

#### Rings of Risk™ -

Rings of Risk™ is a proprietary model to visualize the risk to reward trade-offs that investors face. Different instruments have different inherent risks associated with them. We have developed a visual aid to illustrate relative risk in the market place and help in decision making to allocate risk within our investors' portfolios. Another concept that the Rings of Risk™ help us visualize is where we want to be on the risk curve at any moment in time. We may look to take on more risk in a situation where the world macro environment gives us some visibility, and other times we may want to take less risk if the future is murky. A third concept we visualize is 'risk to reward'. Most all investors would prefer to take on as little risk possible for the greatest amount of reward. In this case, risk can be viewed as losing money. There should be a relationship between the amounts of risk an investor is taking and the amount of reward garnered from that risk. Finally, our analysis also helps us to identify investment

opportunities. In general, the expectation is that higher risk investments should have a higher return than lower risk investments. So, when actual returns do not meet expectations, this may represent an opportunity. Determining the right allocation strategy is a complex process which has many factors impacting the outcome, but with the right tools, such as the Rings of Risk™, we make that process clearer for our clients.

### **Charting / Technical –**

The terms “charting” and “technical” analysis are generally used synonymously and therefore, for the purpose of this document, we will use the term, “technical analysis.” In most cases, technical analysis involves the evaluation of historical market data such as price and volume of a particular security or investment instrument. Technical analysis often times involves the use of charts, graphs, and other tools to evaluate historical factors relating to the investment instrument and perhaps the market as a whole. The goal of technical analysis is to try to identify historical trading patterns that suggest future trading activity or price targets.

Key risk(s): Economic Risk, Financial Risk, Inflation Risk, Interest Rate Risk, Legal/Regulatory Risk, Market Risk, Operational Risk, and Strategy Risk.

### **Fundamental**

Fundamental analysis is generally the considered the opposite approach to technical analysis. Fundamental analysis involves the attempt to identify the intrinsic value (i.e. the actual, true/real value) of an investment instrument by examining any related economic, financial, and other quantitative/qualitative factors relevant to that instrument. Fundamental analysis can take into account anything that may impact the underlying value of the instrument. Examples of such things may include large-scale economic issues such as the overall condition or current cycle of the economy, industry-specific or sector-specific conditions, etc. Other company/issuer-specific factors may also be taken into consideration such as the company’s/issuer’s current financial condition, management experience and capabilities, legal/regulatory matters, the overall type and volume of current and expected business, etc.

One of the goals of fundamental analysis is to attempt to derive a value that can be compared to the current market price for a particular financial instrument in hopes of determining whether the instrument is overpriced (time to sell) or underpriced (time to buy).

Key risk(s): Economic Risk, Financial Risk, Inflation Risk, and Interest Rate Risk.

### **Cyclical**

Cyclical analysis involves the evaluation of an investment instrument or perhaps its issuer for the purpose of identifying whether (and if so, to what extent) it/they may be impacted by fluctuations in the overall economic conditions throughout time. As an example, as more and more people lose their jobs, broad industries like housing or the automotive industries can be negatively impacted because consumers are less able to purchase things like homes and automobiles.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, and Inflation Risk.

Investing in securities or other investment products involves the risk of loss and you should be prepared to bear such losses.

In the course of our management process and as appropriate on a case by case basis, we will employ any of the following investment strategies. For a description of the risks related to each particular investment strategy, see the information following each strategy description. The codes used below relate to risks described further below in this section.

### **Long-Term Purchases**

Long-term purchases generally involve the acquisition of an investment instrument and holding it for a period of at least one year.



Key risk(s): Capital Risk, Economic Risk, Financial Risk, Inflation Risk, Interest Rate Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, Strategy Risk.

### **Short-Term Purchases**

Short-term purchases generally involve the acquisition of an investment instrument and holding it for a period of not more than one year.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Higher Trading Costs, Interest Rate Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, Strategy Risk.

### **Trading**

Trading generally involve the acquisition of an investment instrument and holding it for a period of at not more than thirty days.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Higher Trading Costs, Interest Rate Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, Strategy Risk.

### **Short Sales**

Selling short involves the sale of an investment instrument that you do not own. In most cases, a short seller will have to go out and borrow or arrange for the borrowing of a particular investment instrument before selling short. When selling short, the seller is expecting the price of the underlying investment instrument to decline but if it does, the seller is able to sell the investment instrument(s) at the present day price (in effect at the time of entering into the short sale) and the profit potential is the difference between the sale price of the borrowed shares and the cost of purchasing the borrowed shares in order to make good on the delivery of the investment instrument(s) to the party on the other side of the initial short sale.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, Strategy Risk.

### **Margin Trading**

Margin trading, or “trading on margin,” as it is generally stated, involves the ability to purchase a dollar value of securities that is greater than the dollar value of funds you have available for the purchase. Essentially, trading on margin means that you can borrow additional funds, generally from the firm that holds your brokerage account, to purchase investment instruments that exceed the amount with which you have funded your account.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Interest Rate Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, Strategy Risk.

### **Option Writing** (including covered/uncovered options or spreading strategies)

We will also employ the use of options trading in the event that such trading complements an investment strategy we may be carrying out for a particular client. An option is the right either to buy or sell a specified amount or value of a particular underlying investment instrument at a fixed price (i.e. the “exercise price”) by exercising the option before its specified expiration date. Options giving you the right to buy are called “call” options. Options giving you the right to sell are called “put” options. When trading options on behalf of a client, we may use covered or uncovered options or various strategies such as spreads and straddles. Covered options involve options trading when you own the underlying instrument on which the option is based. Uncovered options involve options trading when you do not own the underlying instrument on which the option is based. Spread options are options whose values are derived from the difference in price of two different underlying assets or components.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Higher Trading Costs, Interest Rate Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, Strategy Risk.

Investing in securities or other investment products involves the risk of loss and you should be prepared to bear such losses.

## **VIII.(B). Risk Disclosures**

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### **Capital Risk**

Capital risk is one of the most basic, fundamental risks of investing; it is the risk that you may lose 100 percent of your money. All investments carry some form of risk and the loss of capital is generally a risk for any investment instrument.

### **Credit Risk**

Credit risk can be a factor in situations where an investment's performance relies on a borrower's repayment of borrowed funds. With credit risk, an investor can experience a loss or unfavorable performance if a borrower does not repay the borrowed funds as expected or required. Investment holdings that involve forms of indebtedness (i.e. borrowed funds) are subject to credit risk.

### **Currency Risk**

Fluctuations in the value of the currency in which your investment is denominated may affect the value of your investment and thus, your investment may be worth more or less in the future. All currency is subject to swings in valuation and thus, regardless of the currency denomination of any particular investment you own, currency risk is a realistic risk measure. That said, currency risk is generally a much larger factor for investment instruments denominated in currencies other than the most widely used currencies (U.S. dollar, British pound, German mark, Euro, Japanese yen, French franc, etc.).

### **Economic Risk**

The prevailing economic environment is important to the health of all businesses. Some companies, however, are more sensitive to changes in the domestic or global economy than others. These types of companies are often referred to as cyclical businesses. Countries in which a large portion of businesses are in cyclical industries are thus also very economically sensitive and carry a higher amount of economic risk. If an investment is issued by a party located in a country that experiences wide swings from an economic standpoint or in situations where certain elements of an investment instrument are hinged on dealings in such countries, the investment instrument will generally be subject to a higher level of economic risk.

### **Financial Risk**

Financial risk is represented by internal disruptions within an investment or the issuer of an investment that can lead to unfavorable performance of the investment. Examples of financial risk can be found in cases like Enron or many of the dot com companies that were caught up in a period of extraordinary market valuations that were not based on solid financial footings of the companies.

### **Higher Trading Costs**

For any investment instrument or strategy that involves active or frequent trading, you may experience larger than usual transaction-related costs. Higher transaction-related costs can negatively affect overall investment performance.

### **Inflation Risk**

Inflation risk involves the concern that in the future, your investment or proceeds from your investment will not be worth what they are today. Throughout time, the prices of resources and end-user products generally increase and thus, the same general goods and products today will likely be more expensive in the future. The longer an investment is held, the greater the chance that the proceeds from that investment will be worth less in the future than what they are today. Said another way, a dollar tomorrow will likely get you less than what it can today.

**Interest Rate Risk**

Certain investments involve the payment of a fixed or variable rate of interest to the investment holder. Once an investor has acquired or has acquired the rights to an investment that pays a particular rate (fixed or variable) of interest, changes in overall interest rates in the market will affect the value of the interest-paying investment(s) they hold. In general, changes in prevailing interest rates in the market will have an inverse relationship to the value of existing, interest paying investments. In other words, as interest rates move up, the value of an instrument paying a particular rate (fixed or variable) of interest will go down. The reverse is generally true as well.

**Legal/Regulatory Risk**

Certain investments or the issuers of investments may be affected by changes in state or federal laws or in the prevailing regulatory framework under which the investment instrument or its issuer is regulated. Changes in the regulatory environment or tax laws can affect the performance of certain investments or issuers of those investments and thus, can have a negative impact on the overall performance of such investments.

**Liquidity Risk**

Certain assets may not be readily converted into cash or may have a very limited market in which they trade. Thus, you may experience the risk that your investment or assets within your investment may not be able to be liquidated quickly, thus, extending the period of time by which you may receive the proceeds from your investment. Liquidity risk can also result in unfavorable pricing when exiting (i.e. not being able to quickly get out of an investment before the price drops significantly) a particular investment and therefore, can have a negative impact on investment returns.

**Market Risk**

The market value of an investment will fluctuate as a result of the occurrence of the natural economic forces of supply and demand on that investment, its particular industry or sector, or the market as a whole. Market risk may affect a single issuer, industry or sector of the economy or may affect the market as a whole. Market risk can affect any investment instrument or the underlying assets or other instruments held by or traded within that investment instrument.

**Operational Risk**

Operational risk can be experienced when an issuer of an investment product is unable to carry out the business it has planned to execute. Operational risk can be experienced as a result of human failure, operational inefficiencies, system failures, or the failure of other processes critical to the business operations of the issuer or counter party to the investment.

**Past Performance**

Charting and technical analysis are often used interchangeably. Technical analysis generally attempts to forecast an investment's future potential by analyzing its past performance and other related statistics. In particular, technical analysis often times involves an evaluation of historical pricing and volume of a particular security for the purpose of forecasting where future price and volume figures may go. As with any investment analysis method, technical analysis runs the risk of not knowing the future and thus, investors should realize that even the most diligent and thorough technical analysis cannot predict or guarantee the future performance of any particular investment instrument or issuer thereof.

**Strategy Risk**

There is no guarantee that the investment strategies discussed herein will work under all market conditions and each investor should evaluate his/her ability to maintain any investment he/she is considering in light of his/her own investment time horizon. Investments are subject to risk, including possible loss of principal.

**VIII.(C). Investment-Specific Risks**

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There is no single type of investment instrument that we predominantly recommend, however, please be mindful that all investments carry some form and degree of risk. Certain types of investments carry greater types and levels of risk than others and you should make sure that you fully understand not only the investment product itself but also the attendant risk factors associated with such products.

## IX. Disciplinary Information

The purpose of this section is for us to disclose to you any legal, disciplinary, or other events that you may consider material in your evaluation of our firm or the integrity of our management. SFG has no issues applicable to this item.

## X. Other Financial Industry Activities and Affiliations

The following information will address any active or pending financial industry affiliations that you need to know about for the purpose of identifying any related conflicts of interest that you might consider material in regard to letting us handle your investment advisory needs.

### X.(A). Broker-Dealers

Neither SFG nor any of its management persons is registered as a broker-dealer nor do either parties have an application pending or otherwise in process for the purpose of seeking registration as a broker-dealer.

### X.(B). Futures Commission Merchants, Introducing Brokers, Commodity Trading Advisors, Commodity Pool Operators

Neither SFG nor any of its management persons is registered as a futures commission merchant, an introducing broker, a commodity trading adviser, or a commodity pool operator, nor do either parties have an application pending or otherwise in process for the purpose of seeking registration as any of these types of firms. Bradley J. Rathe is a 100% owner of Astor Janssen Holdings. Astor Janssen is a commodity pool operator and a commodity trading advisor.

### X.(C). Related Persons

The purpose of this section is to address any relationship or arrangement (that is material to (1) our advisory business or (2) our clients) that we or any of our management persons have with any of our related persons that meet certain categories as identified by the Form ADV. Those categories are listed below and in the event that we have a related person that is included in one of those categories, we will address not only the relationship or arrangement that is material to our advisory business or our clients but also any conflict(s) arising out of this relationship/arrangement and how we address such conflict(s). It should be understood that if the checkbox immediately preceding a category is unselected, that category shall be deemed not applicable for the purpose of this item X.(C).

**Broker-dealer, municipal securities dealer, or government securities dealer or broker**

*Related Person:* None.

*Conflict(s):* N/A.

*How we Address the Conflict(s):* N/A.

**Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)**

*Related Person:* None.

*Conflict:* N/A.

*How we Address the Conflict(s):* N/A.

**Other investment adviser or financial planner**

*Related Person:* None.

*Conflict:* N/A.

*How we Address the Conflict(s):* N/A.

**Futures commission merchant, introducing broker, commodity pool operator, or commodity trading advisor**

*Related Person:* None

*Conflict:* N/A

*How we Address the Conflict(s):* N/A

**Banking or thrift institution**

*Related Person:* None.

*Conflict:* N/A.

*How we Address the Conflict(s):* N/A.

**Accountant or accounting firm**

*Related Person:* Deborah Sarkey, a senior officer of SFG, is a managing member of StrategIQ Tax and Business Services, LLC (STBS) and Markus Sleuwen is also an employee. STBS is organized under the laws of Delaware, providing bookkeeping, tax and business services. STBS is an affiliate of SFG through ownership by SFG Holdings.

*Conflict:* SFG may refer clients regarding accounting, tax or business services to StrategIQ Tax and Business Services, LLC, and Ms. Sarkey and or Mr. Sleuwen may receive income directly from any such clients for those services.

*How we Address the Conflict(s):* SFG has openly outlined the ownership relationship between the firm and STBS in the interest of full disclosure.

**Lawyer or law firm**

*Related Person:* Markus Sleuwen, a senior officer of SFG, is the managing director and sole member of Global Counsel, LLC, organized under the laws of Illinois, operating as a law firm.

*Conflict:* SFG may refer clients requiring legal services to Global Counsel, LLC, and Mr. Sleuwen may receive income directly from any such clients for those services.

*How we Address the Conflict(s):* SFG does not receive any fees from Global Counsel, LLC or from Mr. Sleuwen for these referrals.

**Insurance company or agency**

*Related Person:* None.

*Conflict:* N/A.

*How we Address the Conflict(s):* N/A.

**Pension consultant**

*Related Person:* None.

*Conflict:* N/A.

*How we Address the Conflict(s):* N/A.

**Real estate broker or dealer**

*Related Person:* None.

*Conflict:* N/A.

*How we Address the Conflict(s):* N/A.

**Sponsor or syndicator of limited partnerships or limited liability companies**

*Related Person:* None

*Conflict:* N/A.

*How we Address the Conflict(s):* N/A

**Other**

*Related Person:* Markus Sleuwen, a senior officer of SFG, is the manager and sole member of CCMS International, LLC, a registered business broker in the state of Illinois.

*Conflict:* SFG may refer clients to CCMS International, LLC to act as an intermediary in connection with the sourcing of business buyers and/or sellers or other activities permitted under the Illinois Business Broker Act of 1995 as amended, and Mr. Sleuwen may receive income directly from any such clients for those services.

*How we Address the Conflict(s):* SFG does not receive any fees from CCMS International, LLC or from Mr. Sleuwen for these referrals.

National Advisors Trust Company, FSB, (“NATC”) a national trust company, was created to support the fiduciary needs of clients who, through their estate planning efforts, prefer to continue to maintain their relationship with their financial advisory firm. NATC is a wholly owned subsidiary of National Advisors Holding, Inc. (“NAH”). SFG and approximately 120 other advisory firms located in over 40 states own equity interests in NAH. SFG holds a less than 1% interest. The mission of NATC is to support the delivery of trust and custody services to the clients of its shareholders.

SFG may recommend NATC to its advisory clients seeking trust services. The grantor in a trust agreement would name SFG as the investment manager with discretion to manage the trust estate, and the agreement also provides that NATC discharge the administration, distribution and custodial responsibilities of the trust. SFG, as a shareholder of NATC, may benefit by realizing a profit in the form of dividends or corporate distributions from

NAH, in addition to any investment advisory fees paid under the trust agreement. NATC has registered the name of 'Strategic Financial Group Private Trust Services' as a dba by which SFG offers these services to its clients.

## **X.(D). Use of Other Investment Advisers**

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As described previously in Item IV.(B), from time to time we may recommend or select other investment advisers for you and in return, we will participate in the compensation (i.e. solicitor/referral fees) derived from the services such other investment advisers provide in connection with your assets that they may manage throughout time.. In these cases, we will generally enter into a formal, written agreement (i.e. a solicitor agreement) with such other investment advisers. These sorts of arrangements are often times referred to as "solicitor arrangements" and under such arrangements, we would be serving the role of solicitor for the other investment adviser.

As a result of these such arrangements, we may be incentivized to recommend only the investment advisers from whom we receive solicitor/referral fees as opposed to another investment adviser from whom we do not receive such fees. We continually monitor other investment advisers that we might recommend under a solicitor arrangement in the event that such investment advisers are not meeting the standards that we believe meet your needs, we will seek other investment advisers that may be a better fit for your specific management needs.

Additional details about any such arrangement can be found in the applicable solicitor disclosure document that we are obligated to provide to each of our clients that we may refer to any other investment adviser under one of these solicitor arrangements. You are always welcome to request a copy of our current solicitor disclosure document for any investment adviser that we may have recommended or selected for you.

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

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### **XI.(A). Code of Ethics**

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We take great pride in our commitment to serving our clients' needs and the integrity with which we conduct our business. In our recent history, the financial services industry has come under significant scrutiny, especially in the area of the inherent responsibility of financial professionals to behave in the best interests of their clients.

We have developed a Code of Ethics ("Code") as a means of memorializing our vision of appropriate and professional conduct in carrying out the business of providing investment advisory services. Our Code addresses issues such as the following:

- Standards of conduct and compliance with applicable laws, rules, and regulations
- Protection of material non-public information
- The addressing of conflicts of interest
- Employee disclosure and reporting of personal securities holdings and transactions
- The firm's IPO and private placement policy
- The reporting of violations of the Code
- Educating employees about the Code
- Enforcement of the Code

Each of our representatives has been furnished with a copy of our Code and has signed their names to a written acknowledgement attesting to their understanding of the Code and acceptance of its terms. A copy of our Code is available to all current and/or prospective clients upon request.

## **XI.(B). Participation in Client Trading**

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Refer below to Item XI.(C).

## **XI.(C). Trading Alongside Our Clients**

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On occasion, we may invest for our own accounts or have a financial interest in the same securities or other investments that we recommend or acquire for the accounts of our clients. Further, we may also engage in transactions that are the same as or different than transactions recommended to or made for our client's accounts. Such transactions are permitted if effected, pre-cleared and reported in compliance with our policy on personal securities transactions. Generally, personal securities transactions will not be pre-cleared when an order for the same or a related security is pending for the account of a client. Our Designated Supervisor reviews reports of personal transactions in securities by all of our associated persons quarterly or more frequently if required.

### Investment Policy

None of our associated persons may effect for himself/herself or for accounts in which he/she holds a beneficial interest, any transactions in a security which is being actively recommended to any of our clients, unless in accordance with the following procedures.

### Firm Procedures

In order to implement our Investment Policy, the following procedures have been put into place.

- 1) If we are recommending that any of our clients buy any security, no associated person may purchase that security prior to a client's purchase of that security; and
- 2) If we are recommending that any of our clients sell any security, no associated person may sell that security prior to a client's sale of that security.

As an alternative to the procedures described in the preceding points, we may include our own order(s) in a batch order with other client orders that would involve average pricing for the entire batch such that we would receive the same pricing as all other clients participating in the batch.

It is the primary intent of these procedures to ensure that the best interests of our clients are always served over that of our own. Trading on our own behalf that results in our own interests being served over that of our clients could be considered a breach of our fiduciary duty and thus, is aggressively discouraged.

## **XI.(D). Trading Around the Same Time as Clients**

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Refer above to Item XI.(C).

## **XII. Brokerage Practices**

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### **XII.(A). Brokerage Recommendations**

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The purpose of this Item is to present to you the factors that we take into consideration when (1) selecting or recommending broker-dealers to you for the purpose of effecting transactions on your behalf and (2) for determining the reasonableness of such broker-dealers' compensation related to such transactions.

Unless the client directs otherwise, SFG shall generally recommend that all the client's accounts be maintained at, by, or through certain other firms that are unaffiliated with SFG. Such firms shall generally be broker-dealers that may also maintain registrations that allow such firms to engage in other types of businesses outside of their broker-



dealer activities. Any such other firm may act in the capacity of “broker of record” for the client’s accounts, in which case, another firm may serve as the custodian for the Client account(s). Alternatively, any such other firm may serve as both the “broker of record” and “custodian” for the client’s accounts. In no case shall SFG act or attempt to act in the capacity of “broker of record” or “custodian” of the client’s account, funds, or other assets.

Although not all-inclusive, SFG may recommend the following brokerage firms or custodians:

- 1) Fidelity Investments
- 2) National Advisors Trust Company
- 3) SEI Private Trust Company
- 4) TD Ameritrade Institutional,
- 5) Schwab Institutional
- 6) TradePMR
- 7) Crews & Associates, Inc.
- 8) JVB Financial Group, LLC

Factors that SFG considers in recommending certain broker-dealers or custodians to clients may include such entity’s financial strength, reputation, execution, pricing, and service. In return for effecting securities transactions through certain broker-dealers/custodians, SFG or certain of its representatives may receive certain support services that may assist SFG in its investment decision-making process for all of SFG’s clients.

In seeking best execution, the determinative factor is not always the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of brokerage services, including factors such as execution capability, commission rates, and responsiveness. Accordingly, although SFG will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for the client’s account transactions.

It should be noted that SFG, as a company, is a shareholder in National Advisors Trust Company (“NATC”). SFG owns less than one (1%) present of the shares of NATC. This creates an inherent conflict of interest, given that SFG recommends NATC as a custodian for client accounts and as a corporate trustee. That said, SFG has a fiduciary duty to its clients and is required to place the interests of its clients ahead of its own interests or those of its employees and owners. See Section X.C. Other above.

## **Research and Soft Dollar Benefits**

We do participate in soft dollar arrangements. Consistent with obtaining best execution, transactions for your account(s) may be effected through a broker-dealer in return for products and/or services (“Soft Dollar Benefits”), which assist us in our investment decision-making process. Such Soft Dollar Benefits generally will be used to service all of our clients, but brokerage commissions paid by you may also be used to pay for Soft Dollar Benefits that are not used in managing your specific assets. As a result of our soft dollar arrangements and if we determine in good faith that the commissions paid by our clients under a soft dollar arrangement are reasonable in relation to the value of the Soft Dollar Benefits received, you may experience brokerage commissions/costs greater than another qualified broker-dealer might charge to effect the same transaction(s). All soft dollar arrangements will be structured in accordance with Section 28(e).

When we use client brokerage commissions/fees to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research or other products or services we may receive.

We may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients’ best interest in receiving most favorable execution.

As a result of these soft dollar arrangements, the commission rates or other brokerage execution fees you pay may be higher than those charged by other broker-dealers.

The soft dollar benefits that we may receive from time to time will not be used to service all of our clients' accounts. We do not seek to allocate soft dollar benefits to client accounts proportionately based on the soft dollar credits that each individual account generates.

The following table will identify several types of soft dollar benefits that we might receive from a broker-dealer in relation to effecting client securities transactions through a particular broker-dealer(s). The selected check boxes will identify the specific benefits that we or any of our related persons have received during our last fiscal year in connection with our soft dollar arrangements. If a box is not selected, neither we nor any of our related persons received that type of item.

Selection	Item	Examples
<input type="checkbox"/>	Accounting fees	Year-end financial audit of investment partnership
<input type="checkbox"/>	Association fees	AIMR dues, ICI annual dues, American Society of CLU & ChFC, etc.
<input type="checkbox"/>	Cable television	DirecTV, Local cable TV, Pay TV
<input type="checkbox"/>	Commission rebates	Cash returned to or expenses paid for a qualified plan
<input type="checkbox"/>	Computer hardware	Monitors, printers, etc.
<input type="checkbox"/>	Computer software	Proxy voter software, maintenance and support, portfolio management software (i.e. Advent, Check Free) etc.
<input type="checkbox"/>	Conferences/seminars	AIMR conference fees, internet conferences, etc.
<input type="checkbox"/>	Consulting services	Advisory services, regulatory consultants, computer consultants, etc.
<input type="checkbox"/>	Courier/postage/express mail	Messenger services, FedEx, Airborne Express, DHL, etc.
<input type="checkbox"/>	Custodial fees	Payment of custodial fees to lower expenses of a retail or institutional account
<input checked="" type="checkbox"/>	Electronic databases	Ibbotson Associates, Value Line, Interactive Data Corp, Moody's, etc.
<input type="checkbox"/>	Employee salary/benefits	Salary, insurance policy, health benefits, etc.
<input type="checkbox"/>	Execution assistance	On-line quote systems
<input type="checkbox"/>	Industry publications	WSJ, Economist magazine, etc.
<input type="checkbox"/>	Legal fees	Retainer, research bills
<input type="checkbox"/>	Management fees	Investment adviser fees, pension consultant fees, etc.
<input type="checkbox"/>	Office equipment/supplies	Fax/scanner/copier machine(s), office furniture, staples, paper, etc.
<input type="checkbox"/>	Online quotation/news	Bloomberg, Reuters, etc.
<input type="checkbox"/>	Rent	Office rent
<input type="checkbox"/>	Proprietary research/analysis reports	Research materials prepared by the executing broker-dealer(s)
<input checked="" type="checkbox"/>	Non-proprietary research/analysis reports	Barra, Zack's Investment Research, Value Line, Global Trend Alert
<input type="checkbox"/>	Telephone expenses	Office phone service, mobile phone service, connection fees for online services
<input checked="" type="checkbox"/>	Travel expenses	Hotel accommodations, air fare, auto rental, etc.
<input type="checkbox"/>	Tuition/training	CFA courses, study materials, etc.
<input type="checkbox"/>	Marketing	Payment for or assistance with production of sales materials, web development, radio/t.v. ads, etc.
<input checked="" type="checkbox"/>	Miscellaneous expenses	Dinner, parking fees, limo service, concert/sporting event tickets, etc.

During our first fiscal year and for each subsequent year, we plan to use the following procedures in connection with directing client transactions to a particular broker-dealer in return for soft dollar benefits. These procedures are subject to change at any time as we deem appropriate.

No less frequently than on an annual basis, the Designated Supervisor will perform an analysis of the commission/transaction costs experienced by SFG's clients in connection with any soft-dollar arrangements. The purpose of this analysis is to identify the portion of the client commission/trading costs that is attributable to any items (research, non-research, mixed-use, etc.) that may be received by SFG in connection with the soft-dollar arrangements. Once this cost is determined, the Designated Supervisor must then make a determination as to whether the overall cost to the client is still justifiable in light of the additional charge related to the

products/services other than brokerage execution-related services SFG receives as a result of the soft-dollar arrangement.

In the event the Designated Supervisor determines that the overall cost to SFG's clients is no longer favorable under the soft-dollar arrangement, the Designated Supervisor will seek to eliminate the soft-dollar arrangements or will seek an entirely new executing broker-dealer.

The Designated Supervisor will maintain a record of each such analysis and any subsequent documentation related thereto.

## **Brokerage for Client Referrals**

In certain circumstances, firms like ours may receive client referrals as a result of recommending particular broker-dealers or other service providers. We, however, do not participate in any formal arrangements wherein we receive client referrals from any particular broker-dealer in return for selecting or recommending such broker-dealer.

## **Directed Brokerage**

This item is intended to address situations where we may recommend, request, or require you to provide us instructions as to how to direct brokerage activity on your behalf.

Not all investment advisers require their clients to direct brokerage activity through any particular broker-dealer. We do not routinely recommend, request, or require that you direct us as to how to execute brokerage transactions on your behalf (i.e. using a particular broker-dealer for execution purposes).

However, you may direct us to use a particular broker-dealer (subject to our right to decline such a request) to execute some or all transactions for your account or otherwise on your behalf. In such an event, we will not negotiate terms and arrangements for the account with the other broker-dealer, and we will not seek better execution services or prices from other broker-dealers or be able to "batch" the transactions for execution through other broker-dealers with orders for other accounts we manage. As a result, you may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

## **XII.(B). Order Batching**

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Transactions for the client's account generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at the same or approximately the same time. We may (but are not obligated to) combine or "batch" such orders in order to obtain best execution or to negotiate more favorable transaction rates. Reasoning for attempting to effect a batch order is that we may need to trade in the same security for multiple accounts at or around the same time and batching may allow us to achieve a more favorable price on average for all clients. Batching, however, doesn't guarantee the lowest possible price for execution, however, it is intended to reduce the overall volatility in execution price for a large # of orders that if not batched together, may experience significantly different execution prices. Conversely, in the event that we do not batch a group of orders that otherwise may be a prime candidate for a batched order, the resulting cost for some clients may be higher or lower than what we might be able to achieve by processing a batched order for the benefit of those same clients.

To the extent that we elect to aggregate client orders for the purchase or sale of securities, including securities in which our associated persons may invest, we will generally do so in accordance with the parameters set forth in SEC No-Action Letter, *SMC Capital, Inc.* We will not receive any additional compensation or remuneration as a result of a batched order.

## **XIII. Review of Accounts**

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### **XIII.(A). Review of Accounts or Financial Plans**

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#### **Review of client accounts**

We will review your accounts on an ongoing basis. The designated reviewer(s) will review your accounts for best execution, suitability, and service. Not all transactions will be reviewed, rather, the designated reviewer(s) will perform a sampling-based review. The designated reviewer(s) will review the performance of your transactions. Your investment objectives are used to review for suitability. Transactions are reviewed referencing your investment objectives for any transaction that may not fit your stated objectives, or our understanding of your investment objectives will be flagged and reviewed with the investment adviser representative placing the trade.

The periodic review process described above will be performed by the SFG personnel with the following titles.

- Susan Kuczera, Chief Compliance Officer and Vice President of Operations
- Sandee M. Dudash, Corporate Compliance Assistant
- Bradley J. Rathe, Chief Investment Officer

#### **Review of financial plans**

Unless specifically engaged to do so, we do not periodically review financial plans that we have prepared for clients.

### **XIII.(B). Non-Periodic Account Reviews**

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Events that may trigger further client account reviews in addition to the standard annual review process may include, but would not be limited to, a notable increase in the volume of requests by the client to effect transactions in his/her accounts, where such transactions may appear to be inconsistent with the client's previously stated investment objectives. Other factors may include requests by the client to liquidate certain securities positions/contracts where such transactions may appear to be inconsistent with the client's previously stated investment objectives. Additional triggering factors could be the performance on an individual account being an outlier to the performance of accounts with similar investment objectives, and a very important trigger would be customer complaints. This last trigger would be a prime example of a trigger for an intermittent review of a client account.

### **XIII.(C). Reports to Clients**

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Account statements will be provided no less frequently than quarterly by the custodian, not by us.

Account statements will identify account positions, balances, and transaction details. Upon your request, a quarterly account appraisal (written or electronic) may be created for you as well as an annual year-end statement.

In the event we also send account statements to you in addition to those provided by the qualified custodian, you are urged to compare any account statements provided by us to those provided by the custodian.

## **XIV. Client Referrals and Other Compensation**

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### **XIV.(A). Compensation we Receive**

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Other than the compensation arrangements described above in Item IV.(B) and V.(E), SFG receives no other compensation for outside business services. Additionally, while certain supervised persons may be qualified to receive compensation directly for the sale of insurance products if properly registered and licensed to do so (as a

licensed insurance agent), SFG prohibits its affiliated persons from selling or receiving compensation on this activity. Fee or transaction-based compensation (“Additional Compensation”) such as this is separate and distinct from the other fees we may receive in connection with our investment advisory services as described above in Item IV.(B).

Arrangements involving someone’s receipt of either advisory or other compensation in connection with the advisory services provided to you can be considered “double-dipping.” That term carries negative connotations but in the financial services industry, when in the best interests of the client, such arrangements may be appropriate and within the permissible activities of those individuals and entities who are properly registered and licensed to engage in such activities.

## **XIV.(B). Compensation we Pay**

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From time to time, we may enter into agreements with various independent solicitors who may refer prospective investment advisory clients to us. We do not charge clients introduced by third-parties fees or costs greater than the fees or costs that we would normally charge any other clients who were not introduced by a third-party solicitor, and have similar portfolios under management with us. Any such agreements will be handled in accordance with the provisions of Rule 206(4)-3 under the Investment Advisers Act of 1940. The specific compensation arrangements vary from situation to situation but can be found in the specific solicitor disclosure document relating to each such solicitor arrangement. For more information on our solicitor arrangements, please call 219-736-8902.

## **XV. Custody**

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We engage in certain activities that result in us being deemed to have custody of certain of our client’s funds and/or securities.

- Automatic fee deduction from your brokerage or other trading accounts
- Physical possession or control (even temporary) of client funds or securities
- The ability to gain access to any client funds and/or securities
- One of our related persons has custody of funds and/or securities subject to our investment advisory services
- We or one of our related persons serves as the general partner, managing member, or other similar type of control person to an investment fund to which we provide investment advisory services.

As stated previously in Item XIII.(C)., your account statements will be provided by the qualified custodian that maintains physical possession of your accounts/assets. Recent interpretations by the SEC deem that your written authorization to SFG to distribute funds from your account(s) to another account of yours at separate financial institutions may be deemed custody in certain instances. However, it is our policy that we will require written authorization from you each time such distribution request is made – we will not act on a discretionary basis in this regard. In the event that we also provide you information related to your accounts, you are urged to review that information to the information contained on the account statements or other statements received from the qualified custodian.

## **XVI. Investment Discretion**

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In connection with our investment advisory services, we will generally seek and obtain your authorization to carry out part of our services on a purely discretionary basis. We will memorialize your authorization of our discretionary authority in our investment advisory agreement.

If you have authorized us to do so, we will exercise discretion over the following areas.

- 1) The specific securities to be bought or sold on the client’s behalf
- 2) The amount of securities to be bought or sold on the client’s behalf

- 3) Timing as to when such securities are to be bought or sold
- 4) The particular broker or dealer to be used for arranging client securities transactions

We will have authority to exercise complete discretion with regard to the above named factors without restriction. If your ongoing asset management services are contracted on a non-discretionary basis, we will make certain recommendations that must be authorized by you prior to our execution of any such transactions. As may be separately agreed to in writing, we will observe any other specific limitations that may be imposed by you in relation to this discretionary authority.

## **XVII. Voting Client Securities**

As a general rule, we do not vote proxies on behalf of our clients for any securities you own. Proxies related to the securities you own will be disseminated as dictated by the issuer, transfer agent, or as otherwise set forth in the account opening paperwork you completed for the custodian holding your account/assets. If you have questions related to a particular proxy notice, please call us at 219-736-8902.

In limited circumstances, primarily related to the joint fiduciary responsibility with National Advisors Trust Company (NATC) in their role as Trustee to certain irrevocable trusts, and, to the extent not expressly disclaimed, with respect to ERISA plans, SFG will be responsible for voting proxies relating to the trust's portfolio securities at no additional charge. SFG will utilize an independent third-party services provider to review proxy solicitations, make voting determinations and actually vote proxies on behalf of SFG's clients. In the case of a conflict between the interest of the trusts and the service provider, SFG's investment committee will typically decide on how to vote the proxy. In the alternative, SFG may request guidance from the trust beneficiaries or ERISA plan sponsors, on how to vote the particular proxy.

## **XVIII. Financial Information**

### **XVIII.(A). Balance Sheet**

We may require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. As a result, a copy of our balance sheet from our most recently completed fiscal year will be provided to those clients who prepay more than \$1,200, six months or more in advance upon the initiation of their advisory contract with us, or annually thereafter. This Balance Sheet is separate from this Brochure, and is prepared in accordance with generally accepted accounting principles, audited by an independent public accountant, and accompanied by a note stating the principles used to prepare it, the basis of securities included (if any) and any other explanations required for clarity.

We do not believe that we have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

### **XVIII.(B). Adverse Financial condition**

In the event that we have discretionary authority or custody of any of our clients' assets or if we require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, we are required to disclose any financial condition that is reasonably likely to impair our ability to meet contractual commitments with our clients. No such conditions exist.

### **XVIII.(C). Bankruptcy-Related Matters**

SFG has never been the subject of a bankruptcy petition.

## **XIX. Requirements for State-Registered Advisers**

As a federally-registered investment adviser, this section of our Brochure is not applicable to us.