

Disclosure Brochure

March 20, 2011



a Registered Investment Adviser

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This brochure provides information about the qualifications and business practices of Sutterfield Financial Group, Inc. (herein after "SFG"). If you have any questions about the contents of this brochure, please contact Trevor S. Sutterfield at (918) 338-2255. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Sutterfield Financial Group, Inc. is available on the SEC's website at www.adviserinfo.sec.gov.

Sutterfield Financial Group, Inc. is an SEC registered investment adviser. Registration does not imply any level of skill or training.

Item 2. Material Changes

This section of the brochure discusses only the material changes that have occurred since SFG's last annual update dated March 30, 2010. SFG does not have any material changes to disclose since its last annual update.

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Firm Disclosure Brochure

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Item 4. Advisory Business

SFG is an investment adviser providing financial planning, consulting, and investment management services. Prior to engaging SFG to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with SFG setting forth the terms and conditions under which SFG renders its services (collectively the "*Agreement*"). Neither SFG nor the client may assign the *Agreement* without the consent of the other party. A transaction that does not result in a change of actual control or management of SFG is not considered an assignment.

SFG has been in business as an SEC registered investment adviser since April 11, 2002. Trevor S. Sutterfield is the principal owner of SFG. SFG has \$116,106,910 of assets under management as of March 7, 2011. \$69,360,218 of these assets are managed on a discretionary basis and \$46,746,692 are managed on a non-discretionary basis.

This disclosure brochure describes the business of SFG. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of SFG's 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 SFG's behalf and is subject to SFG's supervision or control.

Financial Planning and Consulting Services

SFG may provide its clients with a broad range of comprehensive financial planning and consulting services. These services include retirement planning, educational planning, estate planning, tax planning, business planning and divorce consulting. SFG also offers specialized services including business valuation, business sale and purchase strategies, qualified/non-qualified retirement plans, key employee incentives, risk management and insurance analysis, education planning, retirement planning, cash flow and debt management, tax strategies, estate planning and charitable giving, optional legal document preparation, current portfolio analysis, and investment portfolio design.

In addition, SFG provides comprehensive accounting services and advice including bookkeeping, payroll services, accounting, tax preparation and tax planning services. These services may be offered in conjunction to other financial planning and consulting services, or SFG can be engaged to provide these services on a stand-alone basis.

In performing its services, SFG is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. SFG may recommend the services of itself, its *Supervised Persons* in their individual capacities as registered representatives of a broker-dealer, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if SFG recommends its own services. The client is under no obligation to act upon any of the recommendations made by SFG under a financial planning or consulting engagement or to engage the services of any such recommended professional, including SFG itself. The client retains absolute discretion over all such implementation

decisions and is free to accept or reject any of SFG's recommendations. Clients are advised that it remains their responsibility to promptly notify SFG if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising SFG's previous recommendations and/or services.

Investment Management Services

Clients can engage SFG to manage all or a portion of their assets on a discretionary or non-discretionary basis.

SFG primarily allocates clients' investment management assets on a discretionary and/or a non-discretionary basis among *Independent Managers* (as defined below), mutual funds, exchange traded funds ("ETFs"), individual debt and equity securities, and the securities components of variable annuities and variable life insurance contracts in accordance with the clients' investment objectives. SFG may also provide advice about any type of investment held in clients' portfolios.

SFG also may render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, or other products that may not be held by the client's primary custodian. In so doing, SFG either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

SFG tailors its advisory services to the individual needs of clients. SFG ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify SFG if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon SFG's management services.

Use of Independent Managers

As mentioned above, SFG recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("*Independent Managers*"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between SFG or the client and the designated *Independent Managers*. SFG renders services to the client relative to the discretionary and/or non-discretionary recommendation of *Independent Managers*. SFG also monitors and reviews the account performance and the client's investment objectives. SFG receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When recommending an *Independent Manager* for a client, SFG reviews information about the *Independent Manager* such as its disclosure statement and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that SFG considers in recommending an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Managers*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, SFG's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by SFG, the designated *Independent Managers*, and corresponding broker-dealer and custodian.

In addition to SFG's written disclosure statement, the client also receives the written disclosure statement of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than SFG. In such instances, SFG may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

If SFG refers a client to an *Independent Manager* where SFG's compensation is included in the advisory fee charged by such *Independent Manager* and the client engages the *Independent Manager*, SFG shall be compensated for its services by receipt of a fee to be paid directly by the *Independent Manager* to SFG in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and any corresponding state securities laws, rules, regulations, or requirements. Any such fee is paid solely from the *Independent Manager's* investment management fee, and does not result in any additional charge to the client.

Additions and Withdrawals to Accounts

Clients may make additions to and withdrawals from their account at any time, subject to SFG's right to terminate an account. Clients may withdraw account assets on notice to SFG, subject to the usual and customary securities settlement procedures. However, SFG designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives.

Item 5. Fees and Compensation

SFG offers its services on a fee basis which may include hourly and/or fixed fees as well as fees based upon assets under management. Alternatively, certain of SFG's *Supervised Persons* may offer securities brokerage services and insurance products under a commission arrangement.

Financial Planning and Consulting Fees

SFG may charge a fixed fee and/or hourly fee for financial planning and consulting services. These fees are negotiable, but generally range from \$500 to \$10,000 on a fixed fee basis and/or from \$75 to \$250 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages SFG for additional investment advisory services, SFG may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging SFG to provide financial planning and/or consulting services, the client is required to enter into a written agreement with SFG setting forth the terms and conditions of the engagement. Generally, SFG requires one-half of the financial planning / consulting fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

SFG may also be engaged to provide ongoing financial planning and consulting services for an annual fixed fee. Generally, SFG's ongoing financial planning and consulting annual fee is prorated and charged quarterly in arrears.

Investment Management Fee

In the event the client determines to engage SFG to provide investment management services, SFG does so on a fee basis. SFG charges an annual fee based upon a percentage of the market value of the assets being managed by SFG. SFG's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which is incurred by the client. However, SFG does not receive any portion of these commissions, fees, and costs. SFG's annual fee is prorated and charged quarterly, in arrears, based upon the market value of the assets being managed by SFG on the last day of the previous quarter. The annual fee varies (between 0.80% and 2.00%) depending upon the market value of the assets under management and the type of investment management services to be rendered.

SFG, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

Fees Charged by Financial Institutions

As further discussed in response to Item 12 (below), SFG generally recommends that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services ("*Fidelity*") for investment management accounts.

SFG may only implement its investment management recommendations after the client has arranged for and furnished SFG with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Fidelity*, any other broker-dealer recommended by SFG, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by *Independent Managers* (as defined below), custodial fees, charges imposed directly by a mutual fund or ETF in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to SFG's fee.

SFG's *Agreement* and the separate agreement with any *Financial Institutions* may authorize SFG or *Independent Managers* to debit the client's account for the amount of SFG's fee and to directly remit that management fee to SFG or the *Independent Managers*. Any *Financial Institutions* recommended by SFG have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to SFG.

Fees for Management During Partial Quarters of Service

For the initial period of investment management services, the fees shall be calculated on a *pro rata* basis.

The *Agreement* between SFG and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. SFG's fees shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate.

Additions may be in cash or securities provided that SFG reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. SFG may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of the quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.

Commissions or Sales Charges for Recommendations of Securities

Clients can engage certain persons associated with SFG (but not SFG) to render securities brokerage services under a commission arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with SFG. Under this arrangement, clients may implement securities transactions through certain of SFG's *Supervised Persons* in their respective individual capacities as registered representatives of National Planning Corporation ("NPC") and Purshe Kaplan Sterling ("PKS"), SEC registered broker-dealers and members of FINRA. NPC and/or PKS may charge brokerage commissions to effect these securities transactions and thereafter, a portion of these commissions may be paid by NPC and/or PKS to such *Supervised Persons*. Prior to effecting any transactions clients are required to enter into a new account agreement with NPC and/or PKS. The brokerage commissions charged by NPC and/or PKS may be higher or lower than those charged by other broker-dealers. In addition, certain of SFG's *Supervised Persons* may also receive ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment.

A conflict of interest exists to the extent that SFG recommends the purchase of securities where SFG's *Supervised Persons* receive commissions or other additional compensation as a result of SFG's recommendations. SFG has procedures in place to ensure that any recommendations made by such *Supervised Persons* are in the best interest of clients.

For accounts covered by ERISA (and such others that SFG, in its sole discretion deems appropriate), SFG shall provide its investment advisory services on a fee-offset basis. In this scenario, SFG may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by SFG's *Supervised Persons* in their individual capacities as registered representatives of NPC and/or PKS.

Item 6. Performance-Based Fees and Side-by-Side Management

SFG does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

Item 7. Types of Clients

SFG provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities, as well as the solicitation of investment advisory services.

Minimums Imposed By Independent Managers

SFG does not impose a minimum portfolio size or minimum annual fee. Certain *Independent Managers* may, however, impose more restrictive account requirements and varying billing practices than SFG. In such instances, SFG may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

Methods of Analysis

SFG's primary methods of analysis are fundamental and technical in nature.

Fundamental analysis involves the fundamental financial condition and competitive position of a company. SFG will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Technical analysis involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that SFG will be able to accurately predict such a reoccurrence.

Investment Strategy

SFG strives to assist clients in every aspect of their financial lives. SFG provides a comprehensive menu of personal financial services to individuals, families, and businesses. SFG's investment strategy entails a diverse and comprehensive approach to asset management, which involves the use of various resources designed to produce efficient portfolios, suitable to the client's goals and objectives. Overall, SFG strives to create and manage portfolios consisting of high-quality investments that produce great returns in accordance with the client's risk profile.

SFG's portfolios are established and monitored by SFG's internal investment committee. The committee is comprised of multiple staff members representing various talents, training, and areas of expertise. The committee has established protocols for each stage of the investment management process.

Investment Options

The primary investment vehicles SFG manages include stocks, bonds, mutual funds, and ETFs. In addition to primary vehicles, SFG also manages variable annuity sub-accounts, variable life insurance sub-accounts, certificates of deposit, closed-end funds, and various alternative investments. The investment committee continuously monitors the marketplace of investment options to evaluate the inclusion or exclusion of certain investment vehicles.

Model Portfolios

SFG utilizes a model portfolio for a majority of its clients. Models are established for each investment option across the risk spectrum by a proprietary process of security selection which includes the following:

- *Market Segmentation* – SFG establishes internal peer groups of securities that represent each segment of the market. Investments are preliminarily selected, reviewed, and monitored; this is a key step in SFG's investment process. These securities are then made available for the investment committee as SFG constructs or reevaluates a model that requires exposure to such segments as large cap value, short term high quality bonds, or more focused exposure, such as real estate, utilities, or hard currency.
- *Portfolio Model Construction* – SFG's model portfolios are constructed by choosing from the securities that have been preliminarily selected during the market segmentation process to establish a targeted diversified allocation within the acceptable risk level of the designated portfolio. SFG utilizes a simple, number-based risk model to assign risk to each portfolio model. A portfolio risk level of one represents a low degree of risk, whereas a portfolio risk level of ten represents a higher degree of risk. SFG's models establish acceptable targets and relative variances for tracking. The goal of the portfolio construction process is to efficiently design a portfolio based on fundamental data about each individual security and the composition of the overall model. These models may be applied in their original form or customized to achieve specific goals of the client. SFG's processes can also be tailored to construct custom portfolios as needed to suit the needs and objectives of the client.
- *Portfolio Management* – After a portfolio model has been constructed or selected, it is applied and tagged to the respective client's portfolio. SFG's investment staff and systems provide continuous monitoring to track position adjustments, allocation changes, rebalancing needs, liquidations, and recurring investments. SFG's entire process has been established to allow for tracking relative risk-based performance based on comparative market segments, alternative peer group performance, and relative market indices. SFG's objective is to seek to enhance the overall portfolio value while managing relative risk.

Risk of Loss

Mutual Funds and Exchange Traded Funds (ETFs)

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual funds and ETFs are subject to secondary market trading risks. Shares of mutual funds and ETFs will be listed for trading on an exchange, however, there can be no guarantee that an active trading market for such shares will develop or continue. There can be no guarantee that a mutual funds' and ETFs' exchange listing or ability to trade its shares will continue or remain unchanged. Shares of the mutual fund or ETF may trade on an exchange at prices at, above or below their most recent net asset valuation (NAV),

which is the price that an investor would buy or sell the mutual fund or ETF at. The per share NAV of a mutual fund or ETF is calculated at the end of each business day, and fluctuates with changes in the market value of the mutual fund's or ETF's holdings. The trading prices of a mutual fund's or ETF's shares may differ significantly from NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's ETF's shares trading at a premium or discount to NAV.

Market Risks

The profitability of a significant portion of SFG's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that SFG will be able to predict those price movements accurately.

Use of Independent Managers

SFG may recommend the use of *Independent Managers* for certain clients. SFG will continue to do ongoing due diligence of such managers, but the such recommendations relies, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, SFG does not have the ability to supervise the *Independent Managers* on a day-to-day basis, if at all.

Management Through Similarly Managed Accounts

For certain clients, SFG may manage portfolios by allocating portfolio assets among various mutual funds on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "*investment strategy*"). In so doing, SFG buys, sells, exchanges and/or transfers shares of mutual funds based upon the *investment strategy*.

SFG's management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

The *investment strategy* may involve an above-average portfolio turnover that could negatively impact upon the net after-tax gain experienced by an individual client. Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to SFG's clients may be limited. As further discussed in response to Item 12B (below), SFG allocates investment opportunities among its clients on a fair and equitable basis.

General Risk of Loss

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

Item 9. Disciplinary Information

SFG is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. SFG does not have any required disclosures to this Item.

Item 10. Other Financial Industry Activities and Affiliations

SFG is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. SFG has described such relationships and arrangements below.

Registration as Insurance Agency

SFG is a duly licensed insurance agency. Additionally, certain of SFG's *Supervised Persons*, in their individual capacities, are licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed basis, the purchase of certain insurance products. A conflict of interest exists to the extent that SFG or its *Supervised Persons* recommend the purchase of insurance products where SFG or its *Supervised Persons* receive insurance commissions or other additional compensation.

Mortgage Broker

SFG may recommend, on a fully-disclosed basis, the purchase of certain mortgage products. SFG is under common control with SFG Lending, Inc. ("*SFG Lending*"), a duly licensed mortgage broker. While SFG does not sell such mortgage products to its investment advisory clients, SFG does permit its related mortgage brokerage firm to sell mortgage products to its investment advisory clients. A conflict of interest exists to the extent that SFG recommends the purchase of mortgage products where *SFG Lending* receives commissions or other additional compensation.

Affiliation with Other Investment Adviser

Certain of SFG's *Supervised Persons*, in their individual capacities, are also investment adviser representatives with National Planning Corporation ("*NPC*") and Purshe Kaplan Sterling ("*PKS*"), and in such capacity, may recommend, on a fully-disclosed basis, the investment advisory services of *NPC* and/or *PKS*. A conflict of interest exists to the extent that SFG recommends *NPC's* and/or *PKS's* investment advisory services where SFG's *Supervised Persons* receive a portion of the investment advisory fees or other additional compensation.

Referrals to Related Attorneys

One of SFG's *Supervised Persons*, Blake Gibson is a licensed practicing attorneys admitted to the Bar of the State of Oklahoma and the Bar of North Dakota. Mr. Gibson may prepare certain legal documents for SFG's advisory clients in conjunction with investment advisory services, depending on the client's needs and the scope of the engagement. Clients are not charged an additional fee for the preparation of these documents.

Related Pension Consultants

SFG does not render pension planning services to its clients. However, SFG's Principal, Trevor S. Sutterfield, is also the Principal of Pension Advisors, Inc. ("*Pension Advisors*"), a pension consulting firm located in Bartlesville, Oklahoma. From time to time, SFG may recommend certain of its clients to *Pension Advisors* for various pension consulting services. *Pension Advisors* shall render these services independently of SFG. SFG shall not receive any portion of the fees charged (referral or otherwise) by *Pension Advisors* for the services rendered. The place of business of *Pension Advisors* (i.e., 501 SE Fourth Street, Bartlesville, Oklahoma 74003) is the same as that of SFG.

It is expected that these Principals of SFG who are also Principals of *Pension Advisors*, solely incidental to their respective practices as pension consultants with *Pension Advisors*, shall recommend SFG's services to certain of *Pension Advisors*'s clients. Although *Pension Advisors* shall not receive referral fees from SFG, these individual members of SFG shall be entitled to receive distributions relative to their respective ownership interests in SFG. *Pension Advisors* is not involved in providing investment advice on behalf of SFG.

Item 11. Code of Ethics

SFG and persons associated with SFG (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with SFG’s policies and procedures.

SFG has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“*Code of Ethics*”). In accordance with Section 204A of the Advisers Act, its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by SFG or any of its associated persons. The *Code of Ethics* also requires that certain of SFG’s personnel (called “*Access Persons*”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in SFG’s *Code of Ethics*, none of SFG’s *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of SFG’s clients.

When SFG is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when SFG is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact SFG to request a copy of its *Code of Ethics*.

Item 12. Brokerage Practices

As discussed above, in Item 5, SFG shall generally recommend that clients utilize the brokerage and clearing services of *Fidelity*.

Factors which SFG considers in recommending *Fidelity* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Fidelity* enables SFG to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Fidelity* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by SFG's clients comply with SFG's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where SFG determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. SFG seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

SFG periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct SFG in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and SFG will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by SFG (as described below). As a result, the client 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. Subject to its duty of best execution, SFG may decline a client's request to direct brokerage if, in SFG's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

Transactions for each client generally will be effected independently, unless SFG decides to purchase or sell the same securities for several clients at approximately the same time. SFG may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among SFG's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among SFG's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that SFG determines to aggregate client orders for the purchase or sale of securities, including securities in which

SFG's *Supervised Persons* may invest, SFG shall generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. SFG shall not receive any additional compensation or remuneration as a result of the aggregation. In the event that SFG determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, SFG may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist SFG in its investment decision-making process. Such research generally will be used to service all of SFG's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because SFG does not have to produce or pay for the products or services.

Commissions or Sales Charges for Recommendations of Securities

As discussed above, certain *Supervised Persons* in their respective individual capacities, are registered representatives of *NPC* and/or *PKS*. These *Supervised Persons* are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless *NPC* and/or *PKS* provides written consent. Therefore, clients are advised that certain *Supervised Persons* may be restricted to conducting securities transactions through *NPC* and/or *PKS* unless they first secure written consent from *NPC* and/or *PKS* to execute securities transactions through a different broker-dealer. Absent such written consent or separation from *NPC* and/or *PKS*, these *Supervised Persons* are prohibited from executing securities transactions through any broker-dealer other than *NPC* and/or *PKS* under *NPC* and/or *PKS*'s internal supervisory policies. SFG is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

Software and Support Provided by Financial Institutions

SFG may receive from *Fidelity*, without cost to SFG, computer software and related systems support, which allow SFG to better monitor client accounts maintained at *Fidelity*. SFG may receive the software and related support without cost because SFG renders investment management services to clients that maintain assets at *Fidelity*. The software and related systems support may benefit SFG, but not its clients directly. In fulfilling its duties to its clients, SFG endeavors at all times to put the interests of its clients first. Clients should be aware, however, that SFG's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence SFG's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, SFG may receive the following benefits from *Fidelity* through the Fidelity Registered Investment Advisor Group: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Advisor Group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

Item 13. Review of Accounts

For those clients to whom SFG provides investment management services, SFG monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom SFG provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of SFG’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with SFG and to keep SFG informed of any changes thereto. SFG shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom SFG provides investment advisory services and who agree to receiving reports electronically, will also from SFG that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a monthly basis. Clients should compare the account statements they receive from their custodian with those they receive from SFG.

Those clients to whom SFG provides financial planning and/or consulting services will receive reports from SFG summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by SFG.

Item 14. Client Referrals and Other Compensation

SFG is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, SFG is required to disclose any direct or indirect compensation that it provides for client referrals.

If a client is introduced to SFG by either an unaffiliated or an affiliated solicitor, SFG may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee shall be paid solely from SFG's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to SFG by an unaffiliated solicitor, the solicitor shall provide the client with a copy of SFG's written disclosure statement which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of SFG shall disclose the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of SFG's written disclosure statement at the time of the solicitation.

Item 15. Custody

SFG's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize SFG through such *Financial Institution* to debit the client's account for the amount of SFG's fee and to directly remit that management fee to SFG in accordance with applicable custody rules.

The *Financial Institutions* recommended by SFG have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to SFG. Clients should carefully review the statements sent directly by the *Financial Institutions*.

Item 16. Investment Discretion

SFG may be given the authority to exercise discretion on behalf of clients. SFG is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. SFG is given this authority through a power-of-attorney included in the agreement between SFG and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). SFG takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Independent Managers* to be hired or fired.

Item 17. Voting Client Securities

SFG is required to disclose if it accepts authority to vote client securities. SFG does not vote client securities on behalf of its clients.

Item 18. Financial Information

SFG does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, SFG is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. SFG has no disclosures pursuant to this Item.



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Prepared by:

