

SFMG Wealth Advisors

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March 2012

This brochure provides information about the qualifications and business practices of SFMG Wealth Advisors. If you have any questions about the contents of this brochure, please contact us at 972-960-6460 or craig@sfmfg.com. 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 SFMG Wealth Advisors also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

January 2012: We have implemented a new investment strategy, "Global Trend Strategy" using two types of investments, depending upon the size of the account. Larger accounts will implement this strategy through ETFs and smaller accounts through mutual funds. Please see our firm brochure for more details on this strategy and the risks associated with it.

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ADVISORY BUSINESS

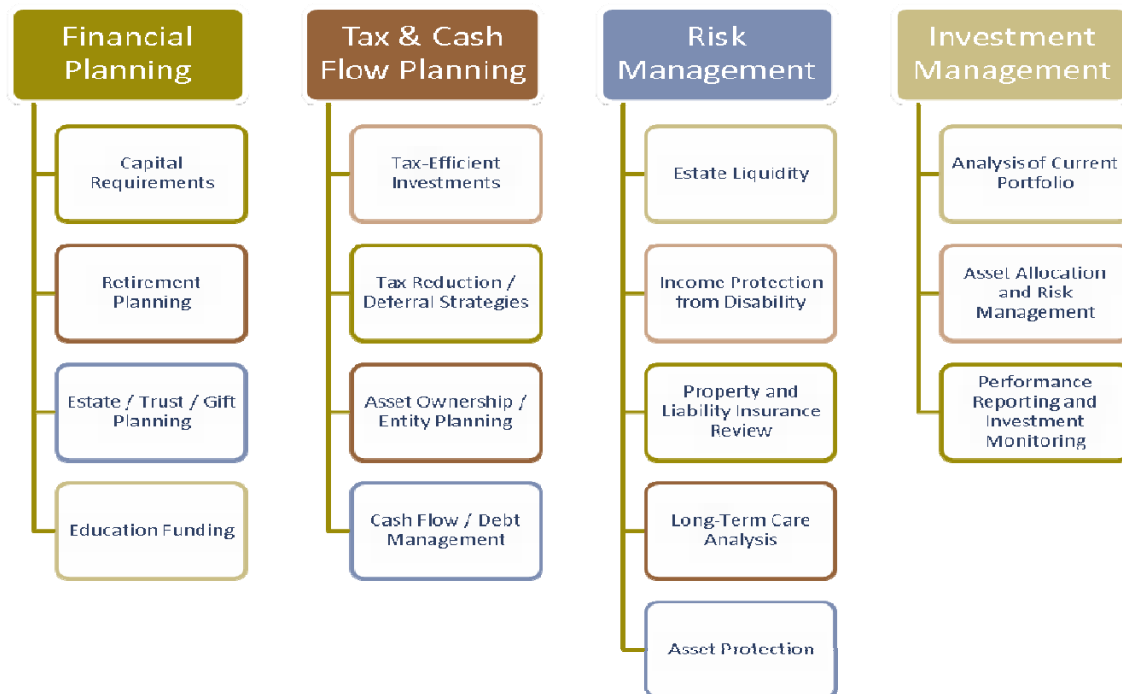
Advisory Firm Description

SFMG, LLC conducts business as SFMG Wealth Advisors, ("SFMG" or "Firm" or "us"). Strategic Financial Management was founded by Greg Morgan in 1992. In 2002, David White and Craig Greenway joined Mr. Morgan to create Strategic Financial Management Group. Mr. Margolis joined Strategic Financial Management Group in 2004. SFMG is owned jointly by the four principals, which changed its name to SFMG, LLC, dba SFMG Wealth Advisors in 2009.

We bring together cutting-edge technology and personalized service to meet the varied financial needs of our clients. We approach each client relationship from a planning perspective. Accordingly, a *personal financial plan* is available on a fixed fee, or hourly rate, based upon the client's needs and desires. We *manage clients' investment portfolios* for a fee based upon the assets actively under management. We view our role to be ongoing, since it is our belief that financial planning is a dynamic process- not a one-time event.

Types of Advisory Services

The Comprehensive & Integrative Approach

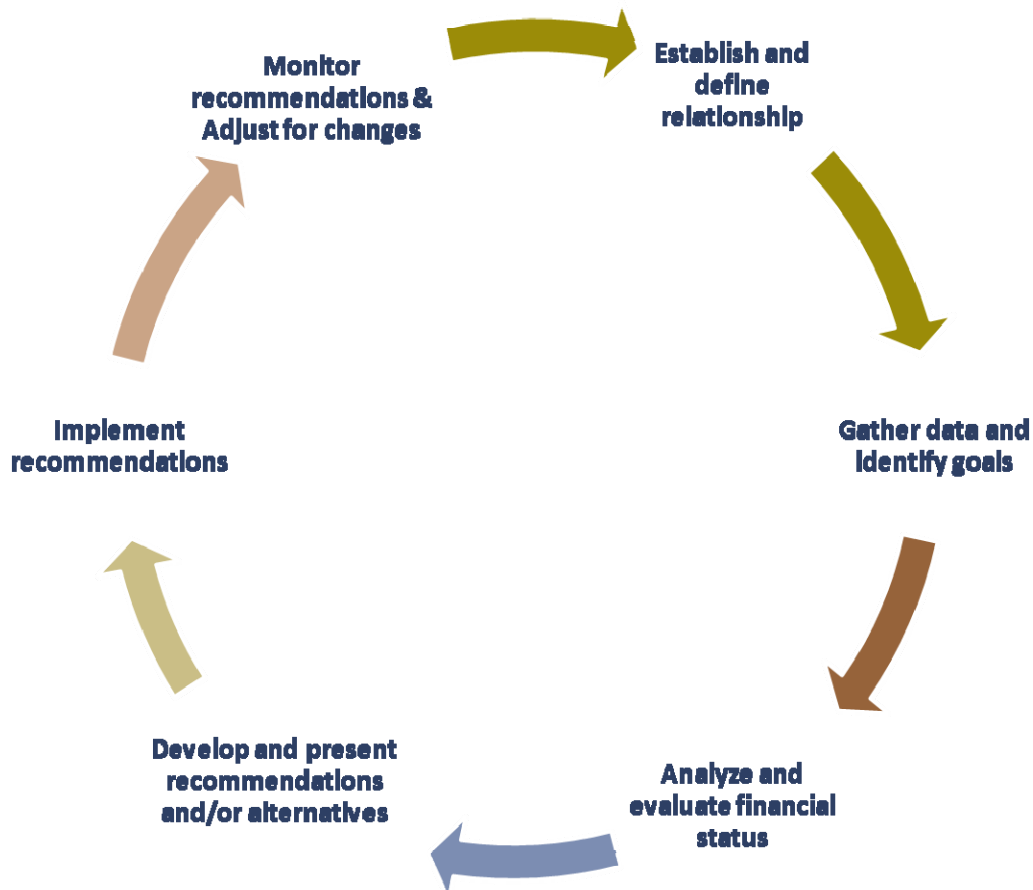


Our individualized approach to each client will determine the components of the comprehensive plan needed in each situation.

Financial Planning

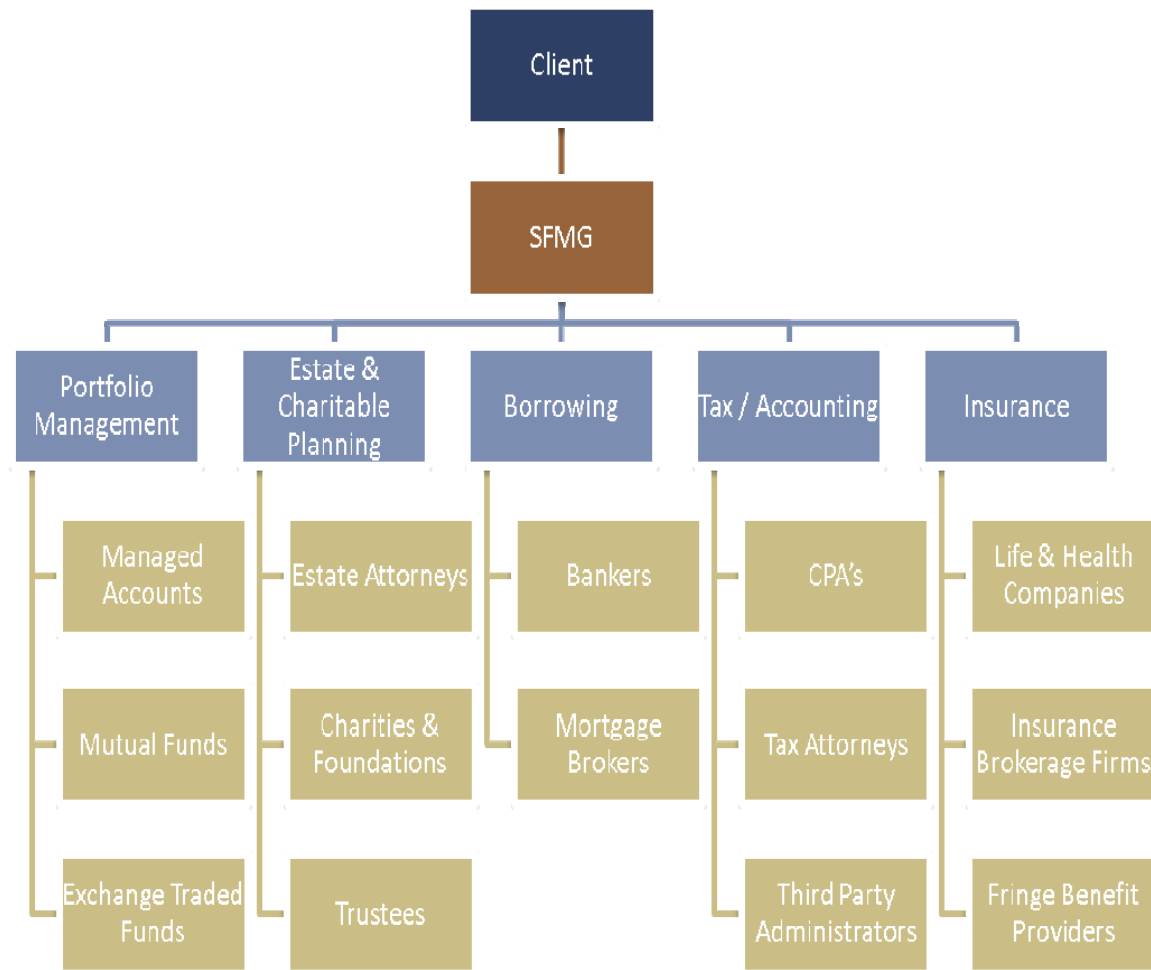
When we create a financial plan for you, we act as the “architect” of the plan, which is the “blueprint” used to create a design that reflects the goals, objectives, and dreams of the client. We create the structure that incorporates all areas of the client’s financial and life goals based upon our team’s extensive experience, understanding, and creativity. As with any building project, we develop a ***"Critical Path"*** based upon your priorities and the planning sequence that is required to develop an accurate model.

Financial Plan Cycle



We work with you to help you identify life goals, develop a plan, monitor the progress, and adjust for life changes.

Implementation & Coordination



Developing a Coordinated Investment Policy

The Required Rate of Return

- Financial objectives can be quantified
- The rate of return required to reach objectives becomes the baseline for managing the portfolio

Assessing Client Risk Tolerance

- Risk means different things to different people
- Risk assessment is key to setting reasonable expectations for portfolio returns

Agreeing on the Risk / Return Objective

- Combining return requirements & risk tolerance bridges the gap between the planning process & portfolio management
- Agreement on the risk / return objective is the basis for the Investment Policy

Implementing the Investment Policy

- The Investment Policy Statement provides the parameters for the management of the portfolio consistent with client objectives
- Strategic shifts can be made based upon economic and market conditions to reduce risk exposure

Portfolio Management

Based upon the Investment Policy Statement, we allocate the portfolio holdings among three basic components: Cash, Bonds, Equities (Index & Active). We use multi-style diversification to further reduce portfolio risk, so we may use multi-style mutual funds, for example, to complement the allocation across the basic asset classes: equity, fixed income and cash.

As economic and market conditions change, we may shift our strategic allocations from market indices to asset allocation funds, or from aggressive funds to defensive funds and back again as warranted. We may also invest a portion of your portfolio using our Global Trends Strategy, which is outlined in the section titled “Investment Strategies” below.

By signing our investment management agreement and account application with the custodian, you give us the authority to trade in your account without receiving permission

from you before each trade. We provide you with written quarterly reports, which are in addition to the statements you receive directly from your account custodian.

Tailored Advisory Services

Obviously, we tailor each financial plan to you, determining your financial goals, objectives, and requirements. Your portfolio is tailored similarly, by matching your investment objective and risk tolerance, goals and objectives to the appropriate investment strategy, asset allocation and mix of securities. You may restrict us from buying or selling particular investments in your portfolio. These restrictions may be changed at any time by notifying us.

Termination

The Client Agreement may be terminated by either party immediately upon receipt of written notice from the other party. The fees for the quarter in which termination of the agreement occurs are refunded on a *pro rata* basis as of the date of termination. Upon termination of the agreement, we have no obligation to take any action with regard to investments in your account(s).

Client Assets Under Management

As of December 31, 2011, we managed approximately \$436,000,000 in discretionary assets, where we are able to place trades in clients' accounts without receiving permission for each transaction. We do not manage accounts on a non-discretionary basis.

FEES AND COMPENSATION

Financial Planning Fees

We charge for the preparation of your initial financial plan by estimating the total time to complete the plan. This estimate depends upon the complexity of your financial situation and your requirements of a plan. We then multiply the estimated time by the appropriate hourly rate (\$100 for staff and \$250 for professionals) and set a minimum and maximum fee. One-half of the minimum fee is due upon signing of the financial planning agreement. We bill the remaining actual fee upon delivery of the final plan to you. The total fee we charge you will never exceed our estimated maximum fee.

If you should choose to terminate the financial planning agreement prior to completion of the plan, you may do so immediately in writing. You would owe us for all time expended to date on the plan, not to exceed the maximum plan fee shown on the financial planning agreement. If we owe you funds, we would issue you a check within 15 days of the termination. If you owe us, we would invoice you for work completed as of the termination date and would expect payment within 15 days of receipt of the invoice.

Once the plan has been completed, we charge renewal financial planning fees based on actual time we spend to review and update your financial plan and/or to provide other services you might request. Again, this work is charged at the appropriate hourly rate of either \$100 or \$250.

We also provide financial planning and/or investment advice on a negotiated flat-fee basis or hourly rate of \$250 for specific questions or situations, as you might request.

Portfolio Management Fees

Our fee for investment advisory services is assessed at the annual rate in effect (and according to the Form ADV Part 2A or our firm Brochure) at the time you engaged SFMG as your investment advisor. Therefore, some clients' fees are different than those listed on the current fee schedule, which means we may provide clients the same service for different fees. The current annual rate for new clients follows:

Portion of Investment Portfolio	Annual Rate
First \$1,000,000	1.00%
Next \$2,000,000	0.80%
Assets over \$3,000,000	0.60%

This fee is cumulative, so a client with a portfolio of \$1,500,000 would pay 1% on \$1,000,000 and 0.80% on \$500,000. We may negotiate this fee under limited circumstances. We base the management fee on the market value of your portfolio as determined by the custodian (or outside pricing service) at the end of the last trading day of the previous calendar quarter. We charge the investment management fee each quarter at one-fourth of the above annual rate and deduct this fee directly from your account. Some clients who have been clients for years pay in arrears. All new clients pay in advance. Each investment advisory agreement correctly specifies payment terms.

When a client has invested in a private partnership in his/her portfolio, we value the partnership annually using the capital account value as reported on the clients' Form 1065 K-1, which is generated by an outside accounting firm. We charge our investment management fee for these assets at a lower fee rate regardless of the amount of other assets managed by SFMG.

We may, in special circumstances, provide investment consultations on an hourly basis at the rate of \$250/hour. These fees are due at the close of the meeting or when the client is invoiced.

Additional Fees

When we recommend a mutual fund for your account, you may be charged three separate fees, either directly or indirectly. The first fee is our investment management fee where the fund is included in the asset base for the quarterly fee calculation. The second is the set of internal fees charged by the investment company for the fund's investment management, marketing, administration and marketing assistance. These internal expenses are disclosed in each fund's prospectus which is provided to you by your account custodian. (This set of fees also applies to any money market fund or ETF purchased in your account.) The third fee may be a transaction fee which is assessed by the custodian for its service of providing access to a universe of mutual fund families through one account. To avoid such fees you would be required to open a separate account with each individual mutual fund company instead of using the custodian we recommend. This would also negatively affect our ability to deliver our services efficiently. Not all mutual fund trades we purchase for client accounts incur this transaction fee. We recommend and purchase no-load funds for our clients and do not recommend funds with loads. Some funds require a minimum holding period to avoid redemption fees.

Any SEC fees, commissions, transaction fees, etc., that are charged against your account(s) are separate from our management fee and will be deducted from your account by your custodian. We require that you use a “qualified custodian” to hold your securities that we manage. Qualified custodians provide you with statements showing all holdings and transactions occurring in the account on a monthly or quarterly basis.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

This section does not apply to us, as we do not charge performance-based fees.

TYPES OF CLIENTS

We provide investment advice to:

- individuals
- high net worth individuals
- bank or thrift institutions (We are a sub-advisor for a bank)
- pension and profit sharing plans
- trust, estates or charitable organizations
- corporations or other business not listed above

We have a negotiable minimum client relationship size of \$500,000, which is applied to a family of related accounts.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Our Investment Committee meets at least monthly to review existing and potential investments on a strategy basis.

Our investment analysis includes a combination of “top down” big picture analysis with a “bottom up” selection and monitoring process.

Investment Cycle



Top down, big picture analysis includes reviewing:

- Economic Cycles
 - Fiscal
 - Credit
 - Consumer
 - Business
 - Employment
 - Monetary
 - Global conditions
- Market Fundamentals
 - Earnings Trends
 - Valuation Measures
 - Quantitative Analysis
- Market Technicals
 - Moving Average Trends
 - Volume Trends
 - Support and Resistance Levels
 - Relative Strength and Momentum
 - Stochastics and MACD

Then the bottom-up approach assists with the selection, implementation, and evaluation of investments. Following are the elements considered for each step in this approach:

- Style/Sector Selection
 - Allocation Weightings
 - Active vs. Passive
 - US vs. International
 - Value vs. Growth
 - Capitalization Size
 - Long vs. short
- Investment Implementation
 - Mutual fund vs. ETFs vs. Individual issues
 - Expenses vs. Yields vs. Restrictions
 - Aggressive vs. Defensive style
 - Benchmark vs. Peer group
- Ongoing Evaluation
 - Monitor anticipated results through weekly performance meetings and searches, manager calls and meetings, comprehensive monthly meetings
 - Remove under-achievers
 - Reallocate for “top down” changes

Global Trends Strategy (“GTS”)

We have implemented a momentum strategy in an effort to better position our clients’ portfolios in these times of heightened volatility. This strategy may be implemented through ETFs in larger accounts and through no load mutual funds (with no associated transaction fee) in smaller accounts in order to manage trading costs. We analyze ETFs and mutual funds invested in particular asset classes to determine the asset class (or classes) with accelerating positive performance relative to other asset classes. (For example, US Treasuries may show the highest performance during a particular period relative to the other asset classes.) We invest in the selected funds and continue to monitor their performance versus the other asset classes, trading out of the investments

when their momentum decreases. We trade accounts in this strategy on a monthly basis, trading all accounts as close to simultaneously as possible.

We structure an investment strategy for your account which is tailored to meet your objective. Risks vary according to the different strategies and particular holdings in each strategy, although all accounts are subject to market risk. Specific risks to our Global Trends Strategy include the layering of fees in both mutual funds and ETFs, and the possible incurrence of transaction fees on an ongoing basis. Trend investing assumes current trends will continue and that changes in trends will be identified in time to minimize losses. With our rebalancing these accounts on a monthly basis, we may miss major trend changes that occurred during the month. Investing in securities involves risk of loss that you should be prepared to bear. If you invest in private issues, the fund documents further explain risks to investing in that particular issue.

We recommend trading in public securities, no-load mutual funds, ETFs, bonds, private placements in real estate or private holdings and hedge funds. In limited circumstances, we also may place option trades in your account if we believe option positions to be appropriate for your investment objective. Option trades may incur losses beyond the funds originally invested. Investment vehicles we recommend may use hedging strategies. Hedging is defined as making an investment to potentially reduce the risk of adverse price movements in another asset or group of assets.

Normally (in times of low volatility) we have a buy and hold strategy, holding an investment a year or longer. However, in times of unusual volatility, we may move in and out of a security more frequently. We may trade on margin for some clients, or make margin borrowing possible. Margin trading may require the liquidation of assets in your account during quickly dropping markets if a margin call should occur.

DISCIPLINARY INFORMATION

In 1999, a predecessor entity was sanctioned by the Texas State Securities Board for using an unregistered solicitor. This was corrected immediately upon discovery and any solicitors for SFMG since then have been and continue to be registered.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Some of our principals and employees are insurance-licensed and have the ability to sell insurance products with various insurance companies that include, but are not limited to, Jefferson Pilot, Lincoln Benefit Life and Presidential Life. These personnel spend a minimal amount of time, and receive minimal commissions from such sales.

This presents a potential conflict of interest with our clients, to the extent that we may recommend the purchase of an insurance product that may result in a commission being paid to one of our personnel in his/her capacity as an insurance agent.

We act as a sub-advisor for First Private Wealth Management, Inc. ("First Private"), a registered investment advisor. We provide investment advice to First Private's clients for a percentage of the investment management fee its clients pay. This fee to First Private clients is not higher than if those clients were to come directly to us. This sub-advisory relationship creates a potential conflict of interest with our clients who have

participated in KMIG I, LLC. KMIG I, LLC is a private placement which holds private securities of First Private Holdings, Inc, the holding company which owns First Private.

Mr. Greenway is the managing member of HHIG, LLC, an entity which is owned by our partners. HHIG, LLC has invested in other private issues in which some of our clients have also invested, and on which we are charging investment fees. Mr. Greenway is also a principal (but not a shareholder) in The Caton Consulting Group ("CCG"), an accounting firm which solicits clients for SFMG. Please see Mr. Greenway's supplement for more information.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

We have adopted a Code of Ethics which describes the general standards of conduct that we expect of all Firm personnel (collectively referred to as "employees"). This code of ethics focuses on three specific areas where employee conduct has the potential to adversely affect you:

- misuse of confidential information;
- personal securities trading and
- outside business activities.

Failure to uphold the Code of Ethics may result in disciplinary sanctions, including termination of employment with us. You may request a copy of the Firm's Code of Ethics which will be provided to you at no cost.

The following basic principles guide all aspects of our business and represent the minimum requirements to which we expect employees to adhere. Your interests come before employees' personal interests and before ours. We must fully disclose all material facts about conflicts between our interests and our employees' interests on the one hand and your interests on the other. Employees must operate on our behalf and on their own behalf consistently with our disclosures and to manage the impacts of any conflicts of interest. We must not take inappropriate advantage of our position of trust or responsibility to you. We all must always comply with all applicable securities laws.

Misuse of Non-Public Information

The Code of Ethics contains a policy against the use of non-public information in conducting our business. Employees may not convey non-public information nor depend upon it in placing personal securities trades or any trades for our clients.

Personal Securities Trading

Our personnel may buy, sell or hold in their personal accounts the same securities we buy, sell, or hold for you. Employees must obtain pre-approval from the Chief Compliance Officer before purchasing any IPO or private placement or before placing any trade that exceeds \$50,000 in value for any personal account. Smaller trades in personal accounts may be placed at any time.

To mitigate conflicts of interest, we have established the following policies in order to ensure our fiduciary responsibilities and to place your interests first:

- An officer, director or employee shall not buy or sell securities for a personal portfolio when the decision to purchase is substantially derived, in whole or in part, by reason of employment with us unless the information is also available to the investing public on reasonable inquiry. No person associated with us shall place his or her own interests before those of clients.
- Our Chief Compliance Officer reviews all personal trades in light of our code of ethics and client trades on at least a quarterly basis. Reports of personal securities holdings are filed with our Chief Compliance Officer by all personnel and are reviewed at least annually.
- Infractions of our personal trading policies may be grounds for disciplinary action, including termination.

You are free to request a copy of our code of ethics, which we will provide at no cost.

Outside Business Activities

Employees are required to report any outside business activities generating revenue. If any such activities are deemed to be in conflict with clients, such conflicts will be fully disclosed or the employee will be required to cease such activity.

BROKERAGE PRACTICES

Selecting broker/dealers for trades and custody of client assets

We have entered into agreements with Charles Schwab & Co., Inc. ("Schwab"), Fidelity Institutional Wealth Services ("Fidelity"), American Funds and TD Ameritrade Institutional, a division of TD Ameritrade, Inc., Member FINRA/SIPC ("TD Ameritrade"). Each of these is an independent and unaffiliated broker-dealer to serve as custodians for our clients' accounts. We also use Jefferson National Life Insurance Company to execute trades and hold clients' variable annuities.

We have selected these broker/dealers as custodians after analyzing their discounted commission structure, the availability of mutual funds with no transaction fee, their trading platforms, electronic reporting, online access for our clients, and financial stability.

We may, at times, participate in a trading service which enables trades to be placed through a broker other than the custodian ("Prime Broker"). When using Prime Broker services, Schwab, Fidelity and TD Ameritrade may assess a ticket charge for each security transaction. In these instances, we have the ability to select the executing broker. In selecting a broker or dealer, we may consider, among other things, the broker's or dealer's execution capabilities, reputation, availability of product and quality of research.

We generally will seek competitive commission rates, but will not necessarily attempt to obtain the lowest possible commission for transactions for your account(s). We may direct transactions to brokers in return for research they provide us. Such research

generally will be used to service all of our clients, but brokerage commissions you pay may be used to provide research that is not used in managing accounts.

The Firm has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides the Firm with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist the Firm in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help the Firm manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom the Firm may contract directly.

The Firm is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

Research and Other Soft-Dollar Benefits

"Soft dollars" is a term applied to commission revenue generated by client trades which is then used to pay for services provided to an investment advisor. These services must benefit our clients and include research and other related services.

We may receive access to certain custodians' proprietary account management and data transmission services to enable us to trade clients' accounts electronically. Custodians of our clients' accounts may also provide us with educational and compliance material, such as newsletters and access to seminars.

Additionally, Schwab, Fidelity, TD Ameritrade make available to us other products and services that benefit us but may not benefit our your accounts. As a fiduciary, we make every effort to act in your best interests. Our recommendation that you maintain your assets with particular custodians may be based in part on some of the products and

services they provide us. Our receipt of products and services from custodians may create a potential conflict of interest with you. We generally allow clients to choose which of the custodians they prefer.

Some of these other products and services assist us in managing and administering your accounts. These include software and other technology that provide: access to client account data; the facilitation of trade execution and allocation of aggregated trade orders for multiple client accounts; research, pricing information and other market data; facilitation of payment of our fees from clients' accounts; and assistance with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of our client accounts.

Schwab, Fidelity and TD Ameritrade also provide other services intended to help us manage and further develop our business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, our custodians may make available, arrange and/or pay for these types of services rendered to us by independent third parties. Custodians may discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees charged by a third party providing these services to us.

Brokerage for Client Referrals

We do not direct trades to particular brokers in exchange for receiving client referrals.

Directed Brokerage

On rare occasion a client will request that trades be enacted through a specific broker. We prefer you use one of our recommended broker/dealers as your account custodian.

Order Aggregation

Accounts sharing similar objectives may hold the same investments, enabling us to trade in block trades for efficiency and to treat all clients fairly. These blocks may be executed in pieces at different prices on the same day, but all shares participating in the block are assigned the same average price per share at the end of the day. Block trades enacted through Schwab, Fidelity or TD Ameritrade are charged transaction fees at the account level, so do not receive a transaction fee advantage. Blocks are allocated across accounts as appropriate, and our employees may participate in blocks with clients. In the rare event that a block order is partially filled, the shares would be allocated on a pro rata basis, with employees receiving no shares until all client orders are filled.

REVIEW OF ACCOUNTS

We provide written reports to financial planning clients that may consist of current listings of assets and liabilities, cash flow projections and retirement/accumulation projections. The reports may include any, or all, of the above or other situation-specific reports dependent upon each client's requests or financial situation.

Written quarterly reports to investment management clients include a current portfolio statement, performance reports and a calculation of SFMG fees for informational

purposes. Your account custodians provide statements to you on a monthly or quarterly basis, and include valuation of holdings and transaction activity for the period.

CLIENT REFERRALS AND OTHER COMPENSATION

Registered solicitors, such as accounting firms and other investment advisors, may refer you to us. The referring party receives a percentage of our fees, as specified in the contract between that solicitor and us. All such referred clients sign a disclosure acknowledgement letter detailing this relationship and the fee rate. The referred client pays the same fees to us regardless of whether or not the client was introduced to us by an outside party.

Please see discussion under the sections titled “Other Financial Industry Activities and Affiliations” for additional information.

CUSTODY

Custody is defined as an investment advisory firm, its related entities, and/or its personnel having direct access to your funds or securities. We protect your assets by requiring that you use a “qualified custodian” that sends you account statements at least quarterly. All of the custodians we recommend are qualified. Further, we request that you review our statements regularly and compare them to the statements you receive from your account custodian. If you find significant discrepancies, you should notify us and the custodian.

We have custody of your assets to the extent that we have the authority to instruct your account custodian to deduct our fee directly from your account. This fee deduction is reported to you quarterly in the statements you receive from your custodian and SFMG, and you should contact us if you have any question about the accuracy of the fee calculation.

INVESTMENT DISCRETION

We manage assets for you because you grant us trading authority, which gives us the right to place trades in your account(s) without obtaining prior permission from you. We may only direct the transfer of funds to an account bearing the same name as the account we manage for you, with the exception of the deduction of our management fees or with a release which you have signed.

VOTING CLIENT SECURITIES

We do not vote proxies for you or assist with proxy voting decisions. You receive your proxy voting material directly from your account custodian.

FINANCIAL INFORMATION

There is no financial condition that is likely to impair our ability to continue to provide services to you.