

**SFG Financial Group, Inc.**  
Managed Account Program (“MAP”) Wrap Fee Program Brochure

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***This brochure provides information about the qualifications and business practices of SFG Financial Group, Inc. (“SFG/we/us/our”). If you have any questions about the contents of this brochure, please contact us at (800) 226-2660. 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.***

***Additional information about SFG is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). SFG’s searchable IARD/CRD number is 109485.***

***SFG is a registered investment adviser with the SEC. Our registration as an investment adviser does not imply any particular level of skill or training.***

## Item 2 – Material Changes

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Only material changes to this brochure are to be mentioned in this section. As this program is new to SFG, this is our first brochure related to it. Therefore, we have no material changes to provide in this section.

When we materially update this brochure, we will either send our clients a copy, or offer to send our clients a copy.

If you would like another copy of this brochure, you may download it from the SEC's investment adviser public disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), or contact us at (800) 226-2660.

## Item 3 – Table of Contents

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Item 2 – Material Changes.....	2
Item 3 – Table of Contents.....	3
Item 4 – Services Fees and Compensation.....	4
Item 5 – Account Requirements and Types of Clients.....	9
Item 6 – Portfolio Manager Selection and Evaluation.....	9
Item 7 – Client Information Provided to Portfolio Managers.....	13
Item 8 – Client Contact with Portfolio Managers.....	13
Item 9 – Additional Information.....	14

## Item 4 – Services, Fees and Compensation

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### The Company

SFG is a registered investment advisor based in Boca Raton, Florida, and incorporated under the laws of the state of Florida. Founded in 1995, SFG provides investment advice and portfolio management services on a continuing basis which may include but are not limited to the review of client investment objectives and goals, recommending asset allocation strategies of managed assets among cash, stocks, mutual funds, exchange traded funds, bonds and/or other investments, and/or preparing written investment strategies/financial plans. SFG provides investment advisory and other financial services through its Investment Advisor Representatives ("IARs") to individuals who establish an advisory relationship with SFG. These services are available to both retail clients (for example, smaller accounts of individuals, individual retirement accounts ("IRAs"), trusts and employee benefit plans) and institutional clients (for example, corporate pension plans, charitable organizations, corporations and foundations). In addition, some programs will provide for the selection of specific securities to help meet the client's stated investment objectives or identifying, evaluating, and hiring independent, unaffiliated money management firms on behalf of clients.

SFG is a wholly-owned subsidiary of SFG Brokerage Services, Inc. ("SBS") which is a wholly-owned subsidiary of SFG Financial Services Group, Inc. ("SFGS"). On November 18, 2013, it was announced that SFGS had entered into an agreement to be acquired by RCS Capital Corporation ("RCS"). As of June 11, 2014, that transaction was completed, and SFGS became a wholly owned subsidiary of RCS. On May 23, 2016, RCS had a change in ownership and a name change. As a result of this change, RCS is no longer a publicly held corporation. Instead, RCS is a privately held corporation owned by a group of companies. The RCS name has changed to Aretec Group, Inc., ("Aretec").

SBS is SFG's affiliated introducing broker-dealer. SBS clears through Pershing, LLC (a subsidiary of The Bank of New York Mellon Corporation and referred to hereinafter as "Pershing") as well as Wells Fargo Clearing Services, LLC (an affiliate of Wells Fargo & Company and referred to hereinafter as "WFCS"). SBS is registered with the SEC and various state jurisdictions and is a member of the Financial Industry Regulatory Authority ("FINRA"), Municipal Securities Rulemaking Board ("MSRB"), and the Securities Investors Protection Corporation ("SIPC"). SBS also provides a full range of investment services including stocks, corporate bonds, municipal bonds, government bonds, options, mutual funds, variable annuities, real estate investment trusts and other investment and insurance products.

SBS effects securities transactions for compensation for clients in its capacity as a broker-dealer. The capacity in which SBS acts, the execution price of the security and other pertinent information will be disclosed to the client via trade confirmation. Prospective clients are hereby advised that lower fees for comparable services may be available from other sources. SFG and its agents will seek to ensure that they do not personally benefit from the short-term market effects of its investment recommendations. From time to time, related persons may purchase securities that are also acquired on behalf of clients and are placed in their accounts. To prevent conflicts of interest, all employees of SFG must agree to abide by SFG's Code of Ethics which imposes restrictions on the purchase or sale of securities from their own accounts and the accounts of certain other affiliated persons.

SFG, along with the other affiliated broker/dealers and Registered Investment Advisers under Aretec Group, Inc. ("Aretec"), are a part of the Cetera Financial Group ("CFG"). CFG may execute agreements and/or contracts on behalf of SFG Brokerage Services for items such as rent, office space, and

equipment leases. All expenses associated with any agreements or contracts are paid by SFG or an affiliate.

Aretec indirectly owns several other holding companies that own other broker/dealers registered with the SEC and FINRA who are also dually registered with the SEC as affiliated Registered Investment Advisers. The dually registered broker/dealers and Registered Investment Advisers operate independently and are all under CFG.

SFG is the sponsor and portfolio manager of the SFG Investment Program (“VIP”) wrap fee program. A wrap fee program is an investment advisory program that provides the client with investment management, brokerage, reporting, and other related services “wrapped” under one investment advisory fee. Clients who wish to participate in the VIP Program will enter into a VIP Agreement with SFG through his or her Investment Adviser Representative.

### **Managed Account Program (“MAP”)**

SFG is the sponsor for MAP.

The Investment Adviser Representative (“IAR”) will help the client to determine his or her current financial situation, liquidity needs, goals and investment objectives, risk tolerance, and investment time horizon. After gathering this information, the IAR will recommend a target asset allocation, and SFG will then manage the client’s assets according to that agreed upon asset allocation. Once an appropriate asset allocation is determined with a client, the client’s portfolio(s) will be managed by the IAR on a discretionary basis.

Portfolios may be invested in mutual funds, exchange traded funds (“ETFs”), stocks, bonds and other securities. The IAR will make changes on a discretionary basis, as the IAR deems necessary based on prevailing market conditions and volatility, news, economic or political circumstances, and the individual characteristics and performance of the securities held in the client’s portfolio.

IARs use a variety of methods to analyze a client’s situation as well as economic factors to develop investment advice and recommendations. These methods include charting, fundamental analysis, technical analysis, cyclical analysis, quantitative analysis, qualitative analysis, and asset allocation. The IAR will inform clients of their methods of analysis, sources of information, and investment strategies used by the IAR in managing client accounts. The client may impose reasonable restrictions on investing in certain types of securities or industry sectors, provided however that SFG may refuse to accept or continue to provide investment advisory services to the client if SFG determines such restrictions are unreasonable or impracticable.

MAP will be offered primarily to individuals and high net worth individuals, but may also be offered to businesses or entities. The Wrap Program is designed to continuously manage the client’s account based on the individual needs of the client.

MAP accounts are portfolios managed by the IAR on a discretionary basis unless the client specifically asserts in writing that he or she wants the MAP account to be managed on a non-discretionary basis. The client's MAP account may be held by one of SFG's clearing firms, either Pershing or WFCS. Clients have free internet access for all of their accounts. Each clearing firm sends monthly or quarterly client statements as well as year-end tax summaries to the client. In addition to the quarterly investment advisory management fee on MAP accounts, clients pay a ticket charge for each transaction executed in the client's account. Certain variable annuities may be held in a separate account but may be billed together with other advisory accounts. These accounts do not necessarily have a separate billing statement and generally are not subject to activation fees.

Investments available within the MAP account include but are not limited to: load-waived A-share mutual funds, no-load mutual funds, variable annuities, stocks, bonds, UITs, and other general securities. The maximum total annual investment advisory fee is 3%, which may be negotiated to a lower rate as agreed to with the client under the MAP agreement. The minimum investment amount for a MAP account is generally \$10,000, but SFG reserves the right to waive the required minimum for certain clients. You should know that we offer a wrap version of the MAP program as well. Your IAR should consider which version of the MAP program would be appropriate for you.

### **Risk of Loss**

All investments have risks, including the risk of loss of the client's principal investment. While SFG seeks to balance potential for investment gain against the risk of loss there can be no assurance that the Wrap Program will achieve its investment objectives or performance.

### **Termination of the Advisory Relationship**

A Wrap Program Agreement may be terminated by either party for any reason at any time upon 5 days prior written notice to the other party. The client will receive a full refund of all investment advisory fees if the Wrap Program Agreement is canceled within 5 days after the date of the agreement less any investment advisory fees actually earned by SFG during the 5-day period as a result of investment advisory services performed. Termination of the Wrap Program Agreement will not affect the validity of any action taken by your IAR or SFG prior to termination of this Wrap Program Agreement or the client's obligation to pay any investment advisory fees earned under the Wrap Program Agreement. After receiving written notice of termination, SFG will mail the client a pro-rata refund of any investment advisory fees paid in advance.

### **Business Continuity Plan**

SFG has established a Business Continuity Plan ("BCP"). The BCP describes how SFG would respond to significant business disruptions and provide investors with alternative contact information in the event of a significant business disruption. The BCP may be found at [www.summitbrokerage.com](http://www.summitbrokerage.com). It is also available upon written request.

### **Wrap Fee Program Fee Description**

The total annual client wrap fee for investment advisory services under the Wrap Program consists of the

management, custody, ticket charges, and administrative costs. The maximum total annual fee will not exceed 3% exclusive of any fees which may be charged by custodians, fund managers, or as described below. The Wrap Program wrap fee will be charged as a percentage of assets under management and will be directly debited from client account(s) after the end of each calendar quarter. If there is an insufficient cash balance in an account to pay the investment advisory fee, the account will be rebalanced so as to generate a sufficient level of cash to cover the investment advisory fee. As part of this agreement the client authorizes the custodian to deduct the wrap fee from his or her account as directed by SFG. The investment advisory fees charged and the manner in which they will be calculated will be disclosed in the Wrap Program agreement.

### **ERISA Accounts**

If the Wrap Program Agreement is entered into with a trustee or other fiduciary acting on behalf of a client, including but not limited to a person meeting the definition of "fiduciary" under the Employee Retirement Income Security Act of 1974 ("ERISA") or an employee benefit plan subject to ERISA, the trustee or other fiduciary represents and warrants to SFG that the client's participation in the Wrap Program is permitted by the relevant governing document of such plan, and that the client is duly authorized to enter into the Wrap Program. The client agrees to furnish SFG with any documents that it reasonably requests with respect to the plan. The client also agrees to notify SFG in writing of any event which might affect the trustee's or other fiduciary's authority or the validity of the Wrap Program Agreement. Clients should review the Wrap Program Agreement for additional information regarding ERISA Accounts.

The IAR may act as a fiduciary within the meaning of section 3(21)(A)(ii) of the ERISA Act of 1974 as amended, but they may not act as a named fiduciary within the meaning of ERISA, nor may they act with discretion or take control of assets within a retirement plan governed by ERISA.

When the IAR is providing advice to the plan administrator of a retirement plan as a 3(21)(A)(ii) fiduciary, the IAR is permitted to provide general educational information about the plan to the plan's participants, but the IAR may not provide specific investment advice to them.

### **Advisory Fees in General**

Clients should note that similar advisory services may or may not be available from other investment advisers for similar or lower fees. A client could also invest in a security or portfolio of securities directly, without SFG's services. In that case, the client would not receive the services provided by SFG which are designed, among other things, to assist the client in determining which investments are most appropriate to each client's financial condition and objectives. Clients should be aware that investment advisory program fees charged may be higher or lower than those otherwise available if the client were to open a brokerage account and negotiate commissions directly with a broker. SFG's investment advisory fee may be subject to negotiation depending upon a range of factors including, but not limited to, account size and overall range of the services provided.

Clients should consider the value of these investment advisory services when making such comparisons. The combination of custodial, advisory and brokerage services may not be available separately or may require multiple accounts, documentation, and fees. Clients should also consider the amount of

anticipated trading activity when selecting among the programs and assessing the overall cost. Investment advisory programs typically assume a normal amount of trading activity and, therefore under particular circumstances, prolonged periods of inactivity or asset allocations with significant fixed income or cash weightings may result in higher fees than if commissions were paid separately for each transaction.

A portion of the fees or commissions charged for the programs described here may be paid to SFG and its IARs in connection with the introduction of accounts as well as for providing client-related services within the programs. This compensation may be more or less than if you paid separately for investment advice, brokerage, and other services, and may vary depending on the program or services offered.

### **Services Not Covered by the Wrap Program Fees**

The Wrap Program's investment advisory fees may not include certain securities transaction fees that may be charged by the client's custodian, broker, or regulatory authorities. These fees would be charged separately from the Wrap Program fee. In evaluating such an arrangement, the client should also consider that, depending upon the level of the fee charged by the custodian or broker/dealer, the amount of portfolio activity in the client's account, and other factors, the fees may or may not exceed the aggregate cost of such services if they were to be provided separately. The IAR will review with the client any separate Wrap Program fees that may be charged to him or her. In addition, the wrap fee does not include certain other account fees that may be charged, including but not limited to wire transfers, annual charges for qualified accounts, certificate issues, IRA custodial fees, safekeeping fees, interest charges on margin loans, exchange fees, and fees for transfers of securities.

### **Exchange Traded Funds and Mutual Funds**

Shares of exchange traded funds ("ETFs") held in client accounts are purchased and sold directly on one of the stock exchanges unlike mutual funds, which are purchased and sold directly from the mutual fund company. The price of ETF shares will fluctuate with market changes affecting the underlying Net Asset Value ("NAV") per share of the ETF. Therefore, ETF shares may trade at a discount or at a premium to their NAV on a daily basis.

All fees paid to SFG for investment advisory services are separate and distinct from the fees and expenses that may be charged by ETFs or mutual funds to their shareholders. These fees and expenses are described in each mutual fund's prospectus. Therefore, the client should review both the fees charged by the funds and SFG fees carefully to fully understand the total amount of fees to be paid by the client.

### **Conflicts of Interest**

SFG and its IARs may purchase or sell the same securities or different securities from those recommended to clients for their personal accounts.

It is the policy of SFG that no person associated with the firm may purchase or sell any security immediately prior to a transaction(s) being implemented for an investment advisory account in order to prevent such employees from benefiting from transactions placed on behalf of investment advisory accounts.



Because of the single fee charged to a Wrap Program account, SFG may be regarded as having a conflict of interest as it may realize a greater profit on a Wrap Program account with a relatively low rate of portfolio turnover compared to other types of accounts, assuming the same level of fees.

## Item 5 – Account Requirements and Types of Clients

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### **Type of Clients**

SFG provides investment advisory services to the following types of clients:

1. Individuals including high net worth individuals
2. Pension and Profit Sharing Plans
3. Charitable Organizations
4. Corporations, Partnerships and other businesses not listed above

### **Account Minimums**

SFG does not set a minimum account size for the Wrap Program. However smaller account sizes could potentially be at a disadvantage regarding transaction fees and diversification, and may experience markedly different performance. Small accounts, if accepted will likely be invested in a small number of securities, and therefore may be exposed to more risk, as well as potentially incurring higher fees as a percentage of the account value.

## Item 6 – Portfolio Manager Selection and Evaluation

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The IAR is the investment manager for the Wrap Program and manages and monitors the portfolios for the client.

The Wrap Program is a discretionary program that enables the client to invest in actively managed portfolios comprised of mutual funds, ETFs, stocks, bonds and other securities the IAR deems appropriate to accomplish the client's stated investment objectives and risk tolerance.

The investment strategy determined for the client is based upon the objectives stated during discussions with the client's IAR. It is important to review investment objectives, risk tolerance, and liquidity needs with the IAR. All investments carry a certain degree of risk and no investment strategy or portfolio allocation can assure a profit or avoid a loss.

### **Types of Services Offered**

IARs may offer advice on a variety of investment products, including stocks, bonds, mutual funds, ETFs, structured products, managed futures products, and direct participation programs. Depending on the type of investment, the recommendation may be made for a commission brokerage account or a fee based investment advisory managed account or both.

The IAR determines the general investment advice to be provided to his or her clients based on

information provided by the client. Background information regarding each IAR is contained in the Brochure Supplement, Part 2B of Form ADV. A copy of the Brochure Supplement will be provided to each client at or before the time that the client executes the investment advisory agreement.

SFG offers three types of investment advisory services: Fee based financial planning, fee based investment advisory managed accounts and fee based investment advisory third-party managed accounts. Descriptions of these investment advisory services are contained in SFG's Form ADV 2A Brochure and copies may be obtained from SFG or the client's IAR upon request.

### **Specific Advice for Each Client**

IARs determine the general investment advice to be provided to their clients. The investment advice given is based on information provided by the client, and will take in to consideration the client's investment objectives, time horizon, risk tolerance, liquidity needs, and any other factors relevant to the client. Depending on the investment strategy chosen, the client may impose reasonable investment restrictions on certain securities, industries or sectors.

Investment strategies and philosophies may differ among various IARs who are responsible for determining and implementing their own investment advice. While SFG does not consider itself as specializing in any one form of investment strategy or philosophy, certain IARs may focus or specialize on certain types of investment strategies or philosophies over other types.

The IAR will monitor the client's account to identify situations that may warrant specific actions be taken or recommended with respect to the client's investments or overall investment portfolio. Such reviews include, but are not necessarily limited to, suitability, performance, asset allocation, change in investment objectives and risk tolerance. In addition, the IAR will provide regular investment advice or investment supervisory services, review the client's portfolio(s) and communicate with the client for conformity with the respective portfolios, investment objectives, changes in the client's financial situation and account performance.

Additional review of accounts is conducted by home office supervisors. These reviews include, but are not limited to suitability and concentration, however each client has a responsibility to review their own account(s) to determine if it is being managed according to their investment objectives. The investment strategy determined for the client is based upon the objectives stated during discussions with the IAR. It is important to review investment objectives, risk tolerance, tax objectives and liquidity needs with the IAR before choosing an investment strategy.

All investments carry a certain degree of risk and no one particular investment style or portfolio manager is suitable for all types of investors.

SFG and its IAR do not provide any advice regarding whether to participate in class action lawsuits brought by a third-party against the issuers of securities held in an account.

### **Performance Fees and Side by Side Management**

SFG does not participate in any investment advisory programs that charge performance-based fees nor

does SFG permit its IARs to enter into performance-based fee arrangements with their clients.

Many IARs also manage commission based brokerage accounts for their clients. The client's investment objectives and risk tolerance in a commission brokerage account may be different than those in the client's investment advisory asset management account(s). Additionally, clients in commission brokerage accounts may receive an execution price that may be higher or lower than the execution price in an investment advisory account.

### **Methods of Analysis**

IARs use a variety of methods to analyze a client's situation as well as economic factors to develop investment advice and recommendations. IARs may use one or more of the following methods of analysis to formulate investment advice or manage the client's account:

#### *Charting*

In this type of technical analysis, the IAR reviews charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

#### *Fundamental Analysis*

IARs evaluate economic and financial factors to determine if a security may be underpriced, overpriced or fairly priced. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

#### *Technical Analysis*

IARs analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

#### *Cyclical Analysis*

In this type of technical analysis, IARs measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

#### *Quantitative Analysis*

IARs use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

### *Qualitative Analysis*

IARs subjectively evaluate non-quantifiable factors and attempt to potentially predict changes to share price based on that data.

### *Asset Allocation*

IARs attempt to identify an appropriate ratio of asset classes that are consistent with the client's investment objectives and risk tolerance.

### *Mutual Fund and/or ETF Analysis*

IARs evaluate a variety of factors in an attempt to potentially predict the future performance of the mutual fund or ETF. The IAR may consider the experience, expertise, investment philosophy, strategy and past performance to determine if a manager has demonstrated the ability to invest over a period of time and in different market conditions. The IAR may monitor the manager's underlying holdings, strategies and concentrations. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

### *Third-Party Money Manager Analysis*

SFG examines the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. SFG may monitor the manager's underlying holdings, strategies, concentrations and the due-diligence process and survey the manager's compliance and business enterprise risks. A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as SFG does not control the manager's daily business and compliance operations, SFG may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

Recommendations will be based on the information provided by the client, the IARs discussions with the client, the IARs analysis of the client's financial situation, investment objectives and risk tolerance and general economic or tax considerations. If the client's personal, financial situation, investment objectives or risk tolerance change they are advised to promptly notify their IAR. Clients should discuss with their IAR the methods of analysis and strategies used by the IAR.

## **Risks of Various Methods of Analysis**

There are risks inherent in each type of analysis described above. For example, a risk of any method analysis that considers the past performance of investments for future performance is that past performance does not guarantee future results. Some methods of analysis, such as fundamental analysis focus on identifying the value of the company without considering external factors, such as market movements. Failure to consider external factors presents a potential risk, as the price of a security may be impacted by the overall market, regardless of the economic and financial factors considered in evaluating the specific risk. Other methods of analysis, such as technical analysis evaluate external factors, but do not consider the underlying financial condition of the company. Failure to consider a company's underlying value presents a risk that a poorly managed or financially unsound company may under-perform regardless of positive market movements.

A risk of investing with a third-party money manager who has been successful in the past is that the manager may not be able to replicate that success in the future. Therefore, any method of analysis is not proven to work in all market conditions. All investments and investment strategies involve various risks, and there is no guarantee that any investment or investment strategy will meet its objective(s). Investing in the financial markets always involves the possible risk of loss of principal.

## **Risks**

All investments and investment strategies involve various risks, and there is no guarantee that any investment or investment strategy will meet its objective. The IAR will keep in mind the client's investment objectives, risk tolerance, time horizon and other pertinent information when recommending an investment or investment strategy. Investing in securities involves the risk of loss of principal.

## **Voting Client Securities**

SFG does not vote proxies on behalf of its clients. It is the responsibility of the client to vote all proxies for securities held in their investment advisory management account. All proxy materials received by SFG on behalf of a client will be sent directly to the client or a representative that has been previously designated by the client to be responsible for voting proxies. IARs may answer customer questions regarding proxy voting materials in an effort to assist the client in determining how to vote the proxy, however the final decision of how to vote the proxy is the responsibility of the client.

Third-party investment advisers may have their own policies regarding proxy voting. Clients are advised to review the policies of their third-party adviser to determine their proxy voting policy.

## **Item 7 – Client Information Provided to Portfolio Managers**

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Clients must complete a new account application ("NAA"). The NAA outlines the client's personal financial situation, including information on income, tax bracket, investments and holdings, investment objectives, investment experience and risk tolerance. Clients agree to inform their IAR and SFG in writing of any material change in your financial circumstances that might affect the manner in which their assets should be invested.

## Item 8 – Client Contact with Portfolio Managers

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Clients should contact their IARs for information and advice regarding their Wrap Program account(s). Clients should discuss with the IAR any changes in the client's financial situation deemed to be material or appropriate as soon as practical after they become aware of the change.

## Item 9 – Additional Information

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### **Disciplinary Information**

In July 2011, the Pennsylvania Securities Commission accepted SFG's Offer of Settlement in which we proposed a settlement of an alleged violation of the Pennsylvania Securities Act of 1972. Without admitting or denying the allegations, we agreed to pay an administrative penalty of \$21,500 for failing to register on IAR in the Commonwealth of Pennsylvania. We further agreed to comply with the Pennsylvania Securities AC of 1973, in particular Section 301 thereof.

### **Financial Industry Affiliations**

Investment Adviser Representatives ("IARs") of SFG are separately licensed as registered representatives of SFG Brokerage Services, Inc. They are also licensed insurance agents representing various insurance companies. As such, IARs are able to receive separate, yet customary commission compensation resulting from implementing securities and insurance product transactions on behalf of investment advisory clients. The clients are not under any obligation to engage the IAR when considering whether to implement any investment advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

While SFG and its IARs endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of IARs when making recommendations.

On May 23, 2016, the parent company of SFG, RCS Capital Corporation ("RCS"), had a change in ownership and a name change. As a result of this change, RCS is no longer a publicly held corporation. Instead, RCS is a privately held corporation owned by a group of companies. The RCS name has changed to Aretec Group, Inc. ("Aretec").

### **Other Outside Business Activities**

Some of our IARs may be involved in other outside businesses. Activities related to these outside businesses are not undertaken as part of the IAR's representation of our investment advisers. The amount of time that IARs devote to outside business activities varies. Your IAR's material outside business activities are reported on the Form ADV Part 2B Brochure Supplement that your IAR will deliver to you when he starts discussing advisory programs and services with you. Your IAR's outside business activities, including without limitation, bank or credit union responsibilities, real estate, accounting, tax and legal activities, are not endorsed or supervised by, or the responsibility of, SFG or any of our affiliates.

Some IARs own or are affiliated with independent Registered Investment Adviser ("RIA") firms. These

firms are not affiliated with SFG and their activities are not supervised by SFG. Typically, IARs that own or are affiliated with an independent RIA may only offer and provide fee based financial planning services through the RIA.

Fees for financial planning services provided by the IAR through their own independent RIA are separate and distinct from any fees paid to SFG in their capacity as an IAR of SFG Advisory Services.

Clients that engage an IAR through an independent RIA firm will receive a copy of that firm's disclosure documents and execute a Financial Planning Client agreement specifying the financial planning services to be provided and fees to be charged by the independent RIA.

SFG may also enter into certain arrangements to offer brokerage and advisory services to the clients of independent unaffiliated financial institutions (credit unions, credit union service organizations, banks and savings banks). A portion of the client's investment advisory fee will be paid by SFG to the financial institution pursuant to a fee sharing arrangement as long as the agreement with the institution is in effect. The financial institution does not provide any investment advisory services to the client.

### **Code of Ethics**

SFG has adopted a Code of Ethics that includes a Personal Trading Policy, which will apply to all of our employees and IARs. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. Upon employment or affiliation and at least annually thereafter, all supervised persons will acknowledge that they have read, understand and agree to comply with SFG's Code of Ethics.

An investment adviser is considered a fiduciary according to the Investment Advisers Act of 1940. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. SFG, its employees, and its IARs have a fiduciary duty to all advisory clients. To assist our employees and IARs in meeting these obligations, SFG has adopted standards of business conduct that are outlined in our Code of Ethics. SFG requires all of its supervised persons to conduct business with integrity and to comply with all federal and state securities laws at all times.

### **Trading Practices**

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the investment advisory customer and for another person on the other side of the transaction (SEC Rule 206(3)-2). Agency cross transactions typically may arise where an investment adviser is dually registered as a broker/dealer or has an affiliated broker/dealer. It is SFG's policy not to engage in agency cross transactions with investment advisory customers.

A principal transaction is defined as a transaction where an adviser, acting as principal for its own account or the account of an affiliated broker/dealer buys from or sells any security to any investment advisory customer. SFG may execute riskless principal transactions with investment advisory customers meaning that SFG purchases the security from another broker/dealer into its principal trading account while simultaneously selling the security to the customer.

SFG's policy prohibits any allocation of trades in a manner such that any particular customers or group of customers receive more favorable treatment than other customer accounts.

### **Trade Errors**

On infrequent occasions, an error may be made in a client's account. For example, a security may be erroneously purchased for a client account instead of sold. In these situations, SFG generally seeks to correct the error by placing the client account in a similar position as it would have been had there been no error.

Depending on the circumstances, corrective steps may be taken, including but not limited to, cancelling the trade, adjusting an allocation, and/or crediting the customer's account. In the event the trading error results in an erroneous profit, the erroneous profit is not allocated to the client, but retained by SFG.

### **Participation or Interest in Client Transactions**

There may be instances where an IAR will recommend to investment advisory clients or prospective clients the purchase or sale of securities in which SFG, the IAR and/or clients may hold a position or interest.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with SFG's obligation of best execution. Generally, in such circumstances the affiliated and client accounts will share commission costs equally and receive securities at a total average price. SFG will retain records of the trade order specifying each participating account and its allocation. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

### **Personal Trading**

Subject to SFG's Code of Ethics and applicable securities laws, the employees and IARs of SFG and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased by SFG's clients. The Code of Ethics is designed to assure that the personal securities transactions of the employees and IAR of SFG will not interfere with (i) making recommendations and decisions in the best interest of investment advisory clients and (ii) when implementing such decisions allowing employees to invest for their own accounts.

SFG and the IARs may or may not maintain investment positions in their personal portfolios that are recommended to clients. In fact, SFG and the IARs may take positions or execute transactions for their personal accounts which are materially different than the positions or transactions recommended for their clients. Employees and IARs are expected to purchase or sell a security for their personal accounts only after trading of that same security has been executed in customer accounts.



The Code of Ethics requires pre-clearance of certain transactions and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity in clients' accounts with a security also held by an employee. Therefore, a potential conflict of interest exists when SFG and its IARs purchase and sell the same securities owned by our clients. Trading activity of IARs and employees is reviewed and monitored under the Code of Ethics to help reasonably prevent this conflict of interest in trading between SFG and its clients.

SFG's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the firm at the address noted on the cover of this brochure.

### **Account Reviews**

IARs are responsible for providing investment advice and conducting reviews on their client accounts on a regular basis. Reviews are generally done on a quarterly basis, and are designed to ensure that the investments and investment strategy employed remains consistent with the client's investment objectives and financial situation as provided by the client.

### **Account Statements**

Unless noted otherwise in the Investment Advisory Agreement, statements of the client's account will be sent by the custodian that holds the client's account at such times as is provided in the client's account agreement with such custodian. Statements are sent usually no less than quarterly unless there is activity in the client's account, in which case they will be sent monthly by the custodian. Clients who have engaged a third-party adviser will receive reports from the third-party adviser as outlined in the client agreement and disclosure documents. Clients should carefully review these reports and contact the custodian or their IAR if they have any questions.

SFG or the IAR may provide other reports, including performance reports to the client. Clients should be aware that only the statements received from the custodian should be relied upon for any balance or securities positions.

### **Client Referrals**

SFG and its IARs may act as solicitors for various third-party investment advisers who compensate SFG and the IAR soliciting a prospective client to the third-party investment adviser. Each solicitation arrangement is documented and a solicitor's disclosure statement is provided to the client.

SFG and its IARs may offer investment advisory services on the premises of unaffiliated financial institutions, such as banks or credit unions. SFG has entered into agreements with the financial institutions whereby SFG may share compensation, including a portion of the investment advisory fee, with the financial institution for the use of the financial institution's facilities and for client referrals.

## **Other Compensation**

IARs may solicit, offer and sell securities and/or insurance products to any client for commissions in their separate capacities as Registered Representatives and insurance agents. This could represent a potential conflict of interest since SFG and the IAR could receive fees and/or commissions if the client chooses to implement the recommendations of the IAR in his or her separate capacity as a Registered Representative and insurance agent. Clients are under no obligation to implement any recommendation through SFG or the IAR and are free to choose any broker/dealer or insurance company they wish to implement the recommendations.

Certain third-party investment advisers, product sponsors or brokerage and/or custodians may provide SFG or the IAR with economic benefits as a result of the client's purchase of investments or insurance products, including sponsorship of meetings, marketing support, an occasional dinner or ticket to a sporting event, incentive awards, and payment of travel expenses.

These arrangements may represent a conflict of interest since they may affect the independent judgment of SFG or the IAR in the recommendation of one third-party investment adviser, product sponsor or custodian over another. However, SFG and the IAR are obligated to act in the best interest of the client when recommending any particular third-party investment adviser or service.

## **Financial Information**

We have no financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our clients, and we have never been the subject of a bankruptcy petition.

Following is the audited balance sheet for SFG Brokerage Services, Inc., and its subsidiaries, for fiscal year ending December 31, 2016. This balance sheet conforms to generally accepted accounting principles, and was audited by an independent public accountant.

<b>SUMMIT BROKERAGE SERVICES, INC. AND SUBSIDIARIES</b>	
<b>CONSOLIDATED STATEMENT OF FINANCIAL CONDITION</b>	
<b>AS OF DECEMBER 31, 2016</b>	
<b>ASSETS</b>	
Cash and cash equivalents	\$ 15,549,925
Receivables from clearing brokers	6,756,353
Commissions receivable	5,376,362
Other receivables, net of allowance	2,343,740
Notes receivable, net of allowance	518,618
Goodwill	500,714
Deferred tax asset, net	1,067,950
Other assets	<u>618,658</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>32,732,320</u></b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>	
<b>LIABILITIES:</b>	
Commissions payable	\$ 6,934,615
Accrued compensation	2,988,468
Accounts payable and accrued expenses	2,117,937
Unearned income	12,000
Other liabilities	<u>1,810,549</u>
<b>TOTAL LIABILITIES</b>	<b><u>13,863,569</u></b>
<b>COMMITMENTS AND CONTINGENCIES (Note 9)</b>	
<b>STOCKHOLDER'S EQUITY</b>	
Common stock, par value \$0.0001 per share; authorized 60,000,000 shares; 1 share issued and outstanding	\$ -
Additional paid-in capital	16,187,208
Retained earnings	<u>2,681,543</u>
<b>TOTAL STOCKHOLDER'S EQUITY</b>	<b><u>18,868,751</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>\$ <u>32,732,320</u></b>