

Part 2A of Form ADV: *Firm Brochure*

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This brochure provides information about the qualifications and business practices of Sovereign Financial Group, Inc. (hereinafter “SFG” or “firm” or “we”). If you have any questions about the contents of this brochure, please contact us at (203) 883-6006 or at jkk@sfgroupinc.com

The information in this brochure has not been approved or verified by the Securities and Exchange Commission or by any state securities authority. Additional information about SFG is available on the SEC’s website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for SFG is 294314.

Item 2. Summary of Material Changes

Since our initial registration filing, the following material changes have been made:

- Sovereign was briefly registered with the States of New York and Connecticut, due to the government shutdown in early 2019, and the inability to secure SEC registration because of it. After the government re-opened, we successfully completed our registration with the SEC, and withdrew from Connecticut and New York. Therefore, Item 4 has been updated to state that the firm is SEC registered.
- Because of the above, Item 19 has been removed, as it is no longer relevant.

Our most recent Form ADV, Part 2 will be available to our existing and prospective clients 24 hours a day through the Investment Adviser Public Disclosure website. Additionally, we will annually and within 120 days of the end of our fiscal year, provide you either: (i) a copy of our Form ADV, Part 2 that includes or is accompanied by a summary of material changes; or (ii) a summary of material changes that includes an offer to provide a copy of the current Form ADV, Part 2. We urge you to carefully review all subsequent summaries of material changes, as they will contain important information about any significant changes to our advisory services, fee structure, business practices, conflicts of interest, and disciplinary history.

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Item 4. Advisory Business

SFG is an SEC-registered fee-based investment adviser with its principal place of business located in Stamford, Connecticut. We were founded in July 2003 by Charles Failla, who remains the sole owner of the firm.

As of April 25, 2019, SFG had a total of \$197,248,437 in assets under management; \$184,165,937 on a discretionary basis, and \$13,082,500 on a non-discretionary basis.

Portfolio Management Services

SFG is in the business of managing investment portfolios designed to preserve capital while providing growth and/or income. Our firm provides continuous advice to a client regarding the investment of client funds based on the needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. We may also review and discuss a client's prior investment history, as well as family composition and background.

Based on the information gathered from the client, their portfolio is constructed to best reflect the client's risk tolerance, from asset protection and capital appreciation, to more aggressive growth strategies. All of the portfolios are primarily invested in mutual funds and Exchange-Traded Funds ("ETFs"), structured products, equities, bonds, certificates of deposit, and select types of annuities. We will typically not transact in any other investments unless it is pursuant to a specific client request.

Account supervision is guided by the stated objectives of the client (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

We will manage portfolio management accounts on a discretionary or non-discretionary basis. For discretionary accounts, we will implement transactions without seeking prior client consent. For non-discretionary accounts, we will seek prior client consent for every contemplated transaction. Therefore, clients with non-discretionary accounts should understand that any delay in obtaining consent may result in less favorable transaction terms, including higher security price and/or higher commissions and/or limited availability of the securities sought.

Financial Planning Services

Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and

withdrawal plans. The key defining aspect of financial planning is that through the financial planning process, all questions, information and analysis will be considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service will receive a written (or sometimes oral) report, providing the client with a detailed financial plan designed to achieve his or her stated financial goals and objectives.

In general, the financial plan will address any or all of the following areas of concern:

- Personal: Family records, budgeting, personal liability, estate information and financial goals.
- Tax & Cash Flow: Income tax and spending analysis and planning for past, current and future years. We will illustrate the impact of various investments on a client's current income tax and future tax liability.
- Death & Disability: Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.
- Retirement: Analysis of current strategies and investment plans to help the client achieve his or her retirement goals.
- Investments: Analysis of investment alternatives and their effect on a client's portfolio.
- Business Planning: Analysis of a company's goals and potential liabilities

We may also provide advice on investments such as limited partnerships and private placement partnerships in real estate and leveraged buyouts.

We gather required information through in-depth personal interviews. Information gathered includes a client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client and prepare a written report, based upon the needs of the client. Should a client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

Our financial plan recommendations are not limited to any specific product or service offered by a broker dealer or insurance company and will generally include advice regarding exchange-listed and over-the-counter securities, corporate debt securities, certificates of deposit, municipal securities, United States governmental securities, variable life insurance, variable annuities, fixed annuities, structured products, and mutual funds.

Typically the financial plan will be presented to the client within six months of the

contract date, provided that all information needed to prepare the financial plan has been promptly provided by the client.

We tailor all of our financial planning recommendations to the individual needs of each client. All financial plans are based on information gathered through client questionnaires, telephone and in-person discussions.

Item 5. Fees and Compensation

Portfolio Management Services

Our fees for portfolio management services are based upon a percentage of assets under management, according to the following fee schedule:

<u>Assets Under Management (\$)</u>	<u>Annual Fee (%)</u>
First \$1,000,000	.25%-2.00%
Above \$1,000,000	0.25% - 1.50%

This fee schedule represents the maximum fees charged by our firm. Each client's fee is negotiated individually, within the ranges given above.

Non-Discretionary Accounts

The maximum annual fee for these accounts is 2.00%. Each client's fee is negotiated individually.

Portfolio management fees are directly debited in arrears at the beginning of each quarter, based upon the billable balance on the last day of the previous calendar quarter.

Financial Planning Services

Financial Planning Services may be included with our Portfolio Management Services at no additional cost to the client.

For standalone Financial Planning Services clients, we charge either: a fixed one-time fee, ranging from \$1,500 to \$10,000; quarterly fees ranging from \$500 to 2,500 per quarter; or hourly fees, from \$200 to \$450 per hour. Each client's fee is negotiated individually.

We will agree upon a fee with a client before any billable work is begun.

Financial Planning fees are due and payable once we deliver the contracted-for work product to the client.

Fees in General

Fees and account minimums for all of our services are negotiable 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, negotiations with client, etc.), and discounts, not generally available to our advisory clients, may be offered to family members and friends.

We may group certain related client accounts for the purposes of determining the annualized fee and/or minimum account size.

Under no circumstances will we earn fees in excess of \$1,200 more than six months in advance of services rendered.

Clients will have a period of five (5) business days from the date of signing the agreement to unconditionally rescind the agreement with us and receive a full refund of all fees. Thereafter, the client may terminate the agreement by providing us with a 30-day written notice at our principal place of business. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Mutual Fund and ETF Fees and Expenses: All fees paid to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. A client could invest in a mutual fund or and ETF directly, without the services of our firm. In that case, the client would not receive the services provided by us which are designed, among other things, to assist the client in determining which mutual fund or funds or ETFs are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and ETFs and the fees charged by us to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Management, Brokerage and Custodian Fees

In addition to advisory fees paid to our firm, clients will also be responsible for all transaction, brokerage, and custodian fees incurred as part of their account management, unless they have selected the "wrap fee" options of the programs described above. Please see Item 12 of this Brochure for important disclosures regarding our brokerage practices.

Additional Compensation Received by Us

SFG also acts as an insurance agency. Some of our principals and employees are insurance brokers with SFG and various other insurance companies. In these capacities,

these individuals may recommend insurance products and receive normal insurance transactions commissions if products are purchased through SFG or insurance companies with which these individuals are appointed. Thus, a conflict of interest exists between the interests of these individuals and those of the advisory clients, creating an incentive for them to recommend investment and/or insurance products based on the compensation received, rather than on a client's needs. However, clients are under no obligation to act upon any recommendations of these individuals or to effect any transactions through them or through SFG if they decide to follow the recommendations. These individuals do not limit their recommendations to products or services offered by SFG and ensure that all recommendations are appropriate for a client's specific needs. Clients have the option to purchase investment and insurance products recommended through other insurance companies not affiliated with our firm. Please refer to Item 10 of this Brochure for a more detailed explanation of how our firm handles and mitigates these conflicts of interest.

Our firm's advisory fees are not reduced by the amount of commissions received by these individuals.

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

We do not charge any fees based on a share of capital gains on or capital appreciation of the assets of a client.

Item 7. Types of Clients

Our firm generally provides advisory services to individuals, high net worth individuals, trusts, estates, charitable organizations, and corporate and business entities.

We implement a minimum fee for all services offered of \$500 per quarter. The minimum fee can be waived at the discretion of the advisor based on past relationship with the client or future potential. There is not a minimum account size for portfolio management services.

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

Our firm employs the following types of analysis to formulate client recommendations:

Mutual fund and/or ETF analysis: We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in other funds in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

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 fund or ETF less suitable of the client's portfolio.

Asset Allocation: Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, structured products, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

Risks for all forms of analysis: Our securities analysis method relies on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

We use the following strategies in managing client accounts:

Long-term purchases: We purchase securities with the idea of holding them in the client's account for a year or longer. We may do this because we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that, by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Short-term purchases: We purchase securities with the idea of holding them in the client's account for less than a year. We may do this because we expect the security to increase in value in the short-term, but we may not want a long-term exposure to the security or the asset class.

A risk in short-term purchase strategy is that, if the expected increase in value does not occur, and we do not believe the security matches our long-term purchase strategy, the purchase may result in a loss of value for our clients.

Clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal.

Item 9. Disciplinary Information

Our firm has no reportable disciplinary events to disclose.

Item 10. Other Financial Industry Activities and Affiliations

As is disclosed in Item 5 of this Brochure, our firm is also a licensed insurance company. Some of our principals and employees are appointed as insurance agents with SFG and various other insurance companies. Please refer to Item 5 for a detailed explanation of these relationships and important conflict of interest disclosures.

Clients should be aware that the receipt of additional compensation by our firm and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. We endeavor at all times to put the interest of our clients first as part of our fiduciary duty as a registered investment adviser and take the following steps to address this conflict:

1. We disclose to clients the existence of all material conflicts of interest, including the potential for our firm and its employees to earn compensation from advisory clients in addition to our advisory fees;
2. We disclose to clients that they are not obligated to purchase recommended investment products from our employees;
3. We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
4. Our management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
5. We require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
6. We periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
7. We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

Code of Ethics Disclosure

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code provides for oversight, enforcement and recordkeeping provisions. A copy of our Code of Ethics is available to our advisory clients and prospective clients upon request to John Karl Kochersperger, Director and Chief Compliance Officer, at the firm's principal office address.

Our firm or individuals associated with our firm may buy or sell securities identical to those recommended to or purchased for customers for their personal accounts. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client. This practice results in a potential conflict of interest, as we may have an incentive to manipulate the timing of such purchases to obtain a better price or more favorable allocation in rare cases of limited availability.

To mitigate these potential conflicts of interest and ensure the fulfillment of our fiduciary responsibilities, we have established the following restrictions:

1. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No principal or employee of our firm may prefer his or her own interest to that of the advisory client;
2. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts;
3. We maintain a list of all securities holdings for our firm and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by our Chief Compliance Officer;
4. All clients are fully informed that certain of our principals and employees may receive separate compensation when effecting transactions during the implementation process.
5. We emphasize the unrestricted right of the client to decline to implement any advice rendered;
6. For financial planning and pension consulting clients we emphasize the

- unrestricted right of the client to select and choose any broker or dealer and/or insurance company (s)he wishes;
7. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices; and
 8. Any individual not in observance of the above may be subject to disciplinary action or termination.

Item 12. Brokerage Practices

We do not have any soft-dollar arrangements and do not receive any soft-dollar benefits.

We do not request or accept the discretionary authority to determine the broker dealer to be used for client accounts. This means that we will not survey or shop the brokerage market place for best execution on a transaction-by-transaction basis. Clients must direct us as to the broker dealer to be used for all client securities transactions. In directing the use of a particular broker or dealer, it should be understood that we will not have authority to negotiate commissions among various brokers, and best execution may not be achieved, resulting in higher transaction costs for clients.

For clients in need of brokerage or custodial services, we may recommend the use of Raymond James, an unaffiliated broker dealer, member FINRA/SIPC, where appropriate to client needs. We participate in the institutional customer program offered by Raymond James. Raymond James offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Our firm receives some benefits from Raymond James through its participation in the program that are typically not available to Raymond James retail investors. These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. Some of the products and services made available by Raymond James through the program may benefit our firm but may not benefit our client accounts directly. These products or services may assist us in managing and administering client accounts, including accounts not maintained at Raymond James. Other services made available by Raymond James are intended to help us manage and further develop our business enterprise. The benefits received by our firm or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to Raymond James. Clients should be aware, however, that the receipt of economic benefits by our firm or its staff in and of itself creates a potential

conflict of interest and may indirectly influence our recommendation of Raymond James for custody and brokerage services.

Nonetheless, we have reviewed the services of Raymond James and recommend the services based on a number of factors. These factors include the professional services offered, commission rates, and the custodial platform provided to clients. While, based on our business model, we will not seek to exercise discretion to negotiate trades among various brokers on behalf of clients, we will, however, periodically attempt to negotiate lower commission rates for our clients with Raymond James.

Not all advisers require their clients to direct brokerage.

Clients are not under any obligation to effect trades through any recommended broker. Clients may direct us to place trades through another broker. However, we reserve the right to decline acceptance of any client account for which the client directs the use of a broker if we believe that this choice would hinder our fiduciary duty to the client and/or our ability to service the account.

Trade Aggregation

Typically, we aggregate client trades when doing so is advantageous to our clients. Mostly, we will batch client transactions to receive volume discounts and to obtain better and more uniform pricing across client accounts. If we determine that aggregation of trades in a certain situation will be beneficial to our clients, transactions will be averaged as to price and will be allocated among our clients in proportion to the purchase and sale orders placed from each client account on any given day. Clients should carefully review the disclosure documents of selected third-party managers and/or program sponsor(s) for detailed information about their best execution, aggregation and allocation practices.

Item 13. Review of Accounts

The following individuals are responsible for reviewing client accounts:

- Charles Failla
- John Karl Kochersperger
- Robin Oliver

Portfolio Management Services:

Reviews: While the underlying securities within these accounts are continuously monitored, these accounts are reviewed at least annually by whichever of the above-listed individuals who serve as the portfolio manager for the account. Accounts are reviewed for consistency with client investment strategy, asset allocation, risk tolerance and performance relative to the appropriate benchmark. More frequent reviews may be triggered by changes in an account holder's personal, tax or financial status, and cash

inflows or outflows. Economic and macroeconomic specific events may also trigger reviews.

Reports: Clients will receive monthly/quarterly statements and confirmations of transactions from their custodian. Our firm will not provide any additional reports.

Financial Planning Services

Reviews: These client accounts will be reviewed as contracted for at the inception of the advisory relationship by the above-listed individuals.

Reports: Financial Planning clients will receive a completed financial plan. Otherwise, we will not provide any ongoing reviews or reports beyond those specifically outlined in the advisory agreement(s).

Item 14. Client Referrals and Other Compensation

Our employees may receive additional compensation as described in Item 5 of this Brochure. Please refer to Item 5 for a detailed explanation of these relationships and important conflict of interest disclosures.

Other than that already described in this Brochure, our firm does not receive any additional compensation from third parties for providing investment advice to its clients.

Item 15. Custody

Since we directly debit client fees from their custodial accounts, our firm is deemed to have constructive custody of client funds. Additionally, we may be deemed to have custody if a client were to create a Standing Letter of Authorization (“SLOA”) with our firm. An SLOA may authorize the firm to transfer funds between accounts defined within the SLOA. Custody is defined as any legal or actual ability by our firm to access client funds or securities. We urge all of our management clients to carefully review their quarterly reviews of account holdings and/or performance results received from their custodian. Should you have any questions, please notify us and/or your custodian as soon as possible.

Item 16. Investment Discretion

For clients granting us discretionary authority to determine which securities and the amounts of securities that are to be bought or sold for their account(s), we request that such authority be granted in writing, typically in the executed investment management agreement.

Should the client wish to impose reasonable limitations on this discretionary authority, such limitations shall be included in this written authority statement. Clients may change/amend these limitations as desired. Such amendments must be submitted to us by the client in writing.

Item 17. Voting Client Securities

As a matter of firm policy, our firm does not vote proxies on behalf of clients. Clients will receive their proxies and other solicitations directly from their custodian or transfer agent and retain sole responsibility for voting. However, we may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

Item 18. Financial Information

Under no circumstances will our firm earn fees in excess of \$1,200 more than six months in advance of services rendered.

Item 19. Requirements for State-Registered Advisers

As SFG is an SEC-registered adviser, this item is not applicable.