

Sowa Financial Group, Inc.

**IA Firm SEC File Number 801-43008
FORM ADV PART 2A**



WELCOME to
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DISCLOSURE BROCHURE
March 1, 2024

This Brochure provides clients with information about the qualifications and business practices of Sowa Financial Group, Inc. ("SFG"). The disclosures set forth herein should be considered before becoming a client of SFG. If you have any questions about the contents of this brochure, please contact us at 401-434-8090. This 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 SFG is also available on the SEC's website: www.adviserinfo.sec.gov.

Item 2. Material Changes

As required by applicable law, we have offered and delivered information and disclosures about our policies, practices, compensation, and potential conflicts of interest in this Brochure to clients on at least an annual basis. In this section of the Brochure, we shall provide a summary of any material changes to Brochure.

The following are the significant changes made in this Annual Amendment of the Sowa Financial Group, Inc. Brochure dated March 1, 2024:

- *Item 4.VI., Updated to reflect SFG's regulatory assets under management as of 12/31/2023.*
- *Item 5 Updated with information on Commonwealth's PPS Select, Retirement Plan Consulting programs and a disclosure on program choice conflicts of interest.*
- *Item 5 Updates to the PPS Select and Retirement Plan Consulting fees, Commonwealth's fee retention and transaction charges.*
- *Item 8 Updates to include PPS Select methods of analysis and a description of the types of securities offered by SFG.*
- *Item 12 Updated to include details on Commonwealth's Core Account Sweep Programs ("CASPs")*

You may request a copy of our brochure at any time, at no charge, by contacting us at:

Sowa Financial Group, Inc.
Telephone: (401)434.8090
Email: team@sowafinancial.com
www.sowafinancial.com

You can also find out more about us and receive our current Brochure from the SEC's website: www.adviserinfo.sec.gov. The SEC site can also give you information about people who are registered, or about to be registered, as Investment Adviser Representatives of our firm.

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Item 4. Advisory Business

Introduction to Sowa Financial Group, Inc.

Sowa Financial Group, Inc., a Rhode Island corporation formed in 2000 ("SFG"), is a federally registered investment adviser, providing various investment supervisory services to a variety of clients, specifically individuals and high net worth individuals, trusts, estates and charitable organizations, corporations, and other business entities. Registration with any state or federal regulator does not imply a certain level of skill or training and does not imply any endorsement by a state or federal regulatory authority.

I. SFG's Principal Owner and Advisory Team.

SFG requires all of SFG investment adviser representatives ("SFG Advisers") to have an appropriate employment history in the area of business or finance that would indicate an ability to render investment advice and/or account management. SFG generally expects its SFG Advisers to have obtained (1) a FINRA Regulation General Securities (Series 7) or equivalent license; and/or (2) a Series 65 (state investment adviser representative) license; and/or (3) a Series 66 (state investment adviser representative / agent); and/or (4) have achieved such professional designation recognized under the regulations of the Rhode Island Department of Business Regulations, including CERTIFIED FINANCIAL PLANNER™* designation; or (4) otherwise qualify for registration as an investment adviser representative under the laws and regulations of the State of Rhode Island. Predecessor licenses may be substituted where applicable.

Donald Joseph Sowa (President; SFG Adviser) (born 1953) -- served as the principal of the Sowa Financial Group proprietorship from 1993 until the incorporation of Sowa Financial Group, Inc. ("SFG") on January 1, 2000. Mr. Sowa remains principal owner of Sowa Financial Group, Inc. and serves as President, and SFG Adviser. Mr. Sowa has a BS in Business Administration from Bryant College in 1978 and earned his CFP® designation from the College of Financial Planning in 1991. Mr. Sowa has been a registered representative of Commonwealth Equity Services, Inc. d/b/a Commonwealth Financial Network ("Commonwealth") since January 1993. Mr. Sowa holds FINRA Series 6, 7, 22, 24, 62, 63 and 65 licenses. Mr. Sowa has earned the Accredited Investment Fiduciary®† (or AIF®) professional designation from Fiduciary360, through which he has received

* The mark of CFP® identifies those individuals who have met the experience and ethical requirements of the CFP® Board, have successfully completed financial planning coursework and have passed the CFP® Certification Examination covering the following areas: the financial planning process, risk management, investments, tax planning and management, retirement and employee benefits, and estate planning. CFP® designees must also agree to meet ongoing continuing education requirements and to uphold the CFP® Board's Code of Ethical and Professional Responsibility and Financial Planning Practice Standards.

† The Accredited Investment Fiduciary® (AIF®) designation certifies that the recipient has specialized knowledge of fiduciary standards of care and their application to the investment management process. To receive the AIF designation, individuals must complete a training program, successfully pass a comprehensive, closed-book final examination under the supervision of a proctor and agree to abide by the AIF Code of Ethics. In order to maintain

formal training in investment fiduciary responsibility. He also holds an Insurance Producers License issued by the State of Rhode Island.

II. Services Overview.

SFG complies with applicable regulatory requirements and obligations to ensure that clients of SFG receive individualized treatment based on their identified objectives and financial situations. SFG provides the following services:

- Investment Advisory Services, and
- Financial Planning Services

Each of these services is more fully described immediately below.

A. INVESTMENT ADVISORY SERVICES

1. Regular Review. SFG provides its advisory clients continuous investment advisory services described below based upon client-identified objectives and constraints as well as perceived material changes in market conditions and performance criteria of client's portfolio. Clients selecting SFG's investment advisory services: (a) grant SFG discretionary authority over the account based on the information regarding client's financial situation, investment objectives and other information provided by the client to SFG, from time to time; (b) may be subject to certain stated minimum portfolio amounts (See [Item 7](#) below); and (c) may be charged different fees based on whether they are new or existing client, and/or as may be agreed with clients, and/or based on the relative complexity of the services, charge fees different from (but in no event higher than those stated) those outlined herein. (See [Item 5](#) below). These distinctions are described below in [Item 13](#).

2. Variations. Advisory recommendations and/or strategies may or may not vary among clients, notwithstanding similar investment objectives, risk tolerances and/or other factors. No assurance can be given about the ultimate results or success of any investment or insurance recommendation or strategy. The client is encouraged to review all investment-related topics, together with SFG's recommendations, with counsel, accountants and/or other advisers before implementing any SFG recommendation.

3. Service Components. Clients choosing the Investment Advisory Service option receive the following advisory services: Portfolio Design or Review; periodic portfolio reviews; periodic reports and the SFG Newsletters. This Investment Advisory Service is

the AIF designation, the individual must annually renew their affirmation of the AIF Code of Ethics and complete six hours of continuing education credits. The certification is administered by the Center for Fiduciary Studies, LLC (a Fiduciary360 (fi360) company). The AIF® and AIFA® trademarks are registered with the U.S. Patent and Trademark Office under the Center for Fiduciary Studies, a division of Fiduciary360.

designed for the client who desires regular and continuous supervisory oversight of their portfolio.

(a) **Portfolio Design or Review.** The Portfolio Design/Review process involves the gathering of information during meetings (generally one or two face to face meetings) and/or correspondence with clients from which the SFG Adviser obtains information relative to the client's investment objectives, risk tolerance, assets and the like before any recommendation is made or investment strategy is determined. If the client decides to obtain services from SFG, client selects the desired service options and compensation method, opens accounts and arranges for the transfer of assets to a qualified custodian, typically National Financial Services, LLC. (NFS). Potential recommendations and strategies for the Portfolio Design are generally made during the second or third meeting after the SFG Adviser has an opportunity to review the client's information and formulate a recommendation and proposed strategy. The intent is to tailor recommendations and strategies to address client-identified objectives and incorporated client-specified restrictions. As a general guide, client objectives may align with one of the following descriptions:

- Income with Limited Growth - This objective is the most conservative and focuses on the preservation of the initial investment and the generation of current income. A portfolio designed to address this objective will typically reflect that a majority of the assets are invested in fixed income/bonds/cash with up to 25% in equities/stocks/alternative investments. It is anticipated that such a portfolio may fluctuate less than the overall market.
- Income with Moderate Growth – This objective generally focuses on increasing capital sufficient to offset inflation over time while also generating current income. This portfolio designed will typically invest the majority of assets in fixed income / bonds / cash equivalents with up to 45% in equities / stocks / alternative investments. Generating income is the primary goal of this portfolio, with growth as a secondary goal. It is anticipated that such a portfolio may fluctuate slightly less than the overall market.
- Growth and Income - This objective targets a balanced asset allocation consisting of equities/stock and fixed-income/bonds consistent with the overall market. A portfolio designed to address this objective seeks to provide growth as the primary objective with income as a secondary objective, with an allocation of up to 70% in equities/stocks and the remainder in fixed income/bonds/cash. It is anticipated that such a portfolio may demonstrate similar fluctuation characteristics as the overall market.
- Primarily Growth - This objective targets long-term capital appreciation with little focus on the generation of current income. Depending on individual circumstances, a portfolio designed to address this objective is invested in a diversified portfolio of equity-oriented investments with growth as a primary goal. Such a portfolio will typically invest up to 85% of its assets in equities/stocks/alternative investments, with the remainder in fixed- income/bonds/cash. It is anticipated that such a portfolio may fluctuate more than the overall market.

- Growth - This objective seeks maximum growth potential with little-to-no focus on generating current income. This long-term oriented portfolio is typically invested almost entirely in equities/stocks/alternative investments, with the remainder, if any, in fixed income/bonds/cash. This portfolio design offers the highest level of both risk and potential return. In addition to holding mutual funds whose objective is aggressive growth, this portfolio may also hold certain sector- type equities as well as individual securities. It is anticipated that such a portfolio may exhibit significant volatility during periods of market fluctuation.

4 Discretion / Non-Discretion. SFG offers clients Investment Advisory services under which clients authorize and grant SFG discretionary authority over their accounts as further described in [Item 16](#) below.

5 Trade Execution through Commonwealth.

(a) Implementation. Upon development and implementation of an investment strategy for the account, SFG Advisers shall effect the purchase or sale of securities in his/her capacity as registered representative of Commonwealth through Commonwealth. SFG Advisers who are also registered representatives of Commonwealth are subject to both contractual and regulatory requirements to execute all securities trades through Commonwealth. See [Item 12](#) below.

(b) Custody. SFG does not take custody of client funds and securities (aside from custody related to the drafting of advisory fees from client accounts or Standing Letters of Authority on file, as further described in [Item 15](#)). Custody and clearing services for accounts are provided with NFS, an affiliate of Fidelity Management Trust Company, Inc., as further described in [Item 15](#).

B. FINANCIAL PLANNING SERVICES

1. General. In addition to, or instead of, Investment Advisory Services above, clients may, choose SFG's Financial Planning Services. Financial Planning Services are offered to clients as a stand-alone, non-discretionary service, on a non-continuous or continuous basis as agreed upon by the client and the advisor.

2. Planning Service. Where clients elect SFG's Financial Planning Service, such service results in the presentation to the client of a written and/or electronic version of the financial plan as of a date certain ("Plan") designed according to the client's input as of a specified date and dated instructions (it may range from an analysis of the client's complete financial picture to recommendations pertaining to a specific issue about which the client requires financial planning advice).

In general, the Financial Planning Service and the Plan identify client's needs and goals taking into account client's then identified investment objectives for the short and long term, client's then identified risk tolerance, client's assets and liabilities, and other information client believes might be helpful or pertinent to the SFG Adviser in constructing the Plan. The SFG Adviser takes the

information supplied by client and performs a financial analysis to determine the components of the Plan and the basis for the SFG Adviser's recommendations. Finally, the SFG Adviser provides the client with recommendations designed to meet client's short and/or long term and/or other stated objectives, risk tolerance and investment criteria. Specific investment recommendations are not made in this process; rather, a client is presented with general advice as to potential sector and asset class allocation.

3. Financial Plan Review. At client's request, an SFG Adviser will update and/or review an existing Plan to determine whether it continues to meet the client's objectives, changed or otherwise. For the Financial Plan Review, the same financial planning criteria set forth above are utilized.

4. Implementation. Once the SFG Adviser has completed the Financial Plan, a client is under no obligation to obtain additional services from SFG. The client may elect to take no action in respect of the Plan or may elect to take the Plan to whomever client chooses for additional action, including investment purchases, if any. If client determines to have SFG Advisers in their capacities as Commonwealth registered representatives implement the recommendations and/or have SFG actively manage or review a portfolio, client makes a portfolio services election pursuant to [Item 4.A.](#) immediately above and thereby becomes an Investment Advisory Services client.

C. COMMONWEALTH FINANCIAL PROGRAM OFFERINGS

Commonwealth Financial Network ("Commonwealth") makes available certain asset management programs to SFG as part of its contract with Commonwealth for platform services. These asset management programs are described below. In such cases where we offer Commonwealth's asset management programs to you, SFG remains responsible for the suitability and appropriateness of the investment advisory services provided. This arrangement does not create an advisory relationship between Commonwealth and SFG or Commonwealth and you. It is our responsibility to comply with all laws, rules, and regulations governing the provision of investment advice to you, including, but not limited to, the Investment Advisers Act of 1940 ("Advisers Act"), as amended, and the rules promulgated thereunder, as well as all applicable state statutes, rules, and regulations that apply to our business. SFG is responsible for the accuracy of all records that reflect your financial condition, risk tolerance, and investment objectives of your account(s); that the orders that we place with or through Commonwealth on your behalf are suitable for you and consistent with our fiduciary duty to you; and that the investment advice and advisory services provided to you in general are and remain appropriate for you. Commonwealth will provide, or cause to be provided, to clients trade confirmations and custodial account statements. Commonwealth will provide or will otherwise make available to the advisor duplicate trade confirmations and Client custodial account statements.

SFG has entered into an agreement to offer clients access to certain programs offered by Commonwealth Financial Network ("Commonwealth"), an SEC-registered investment adviser. Specifically, Commonwealth's PPS Select Account Program and retirement Plan Consulting Program may be offered.

1. PPS Select

The PPS Select Program offers a variety of model portfolios from which investors may choose.

The PPS Select model portfolios are created and managed on a discretionary basis by Commonwealth's Investment Management and Research team. The advisor will help the client determine which PPS Select models are best suited for the client based on his or her risk profile, investment objectives, and preferences, leaving the actual trading decisions to the Investment Management and Research team. PPS Select offers a variety of model portfolios with varying investment product types, including mutual fund and ETF portfolios, equity portfolios, fixed income portfolios, and variable annuity subaccount portfolios.

2. Retirement Plan Consulting: We provide a fee-for-service consulting program whereby our advisors offer onetime or ongoing advisory services to qualified retirement plans. Through the Retirement Plan Consulting Program, advisors assist plan sponsors with their fiduciary duties and provide individualized advice based upon the needs of the plan and/or plan participants regarding investment management matters, such as:

- Investment policy statement support
- Plan menu design and monitoring
- Service provider support
- Participant advice programs

III. IRA Rollover Considerations

As part of our financial planning and advisory services, we may provide you with recommendations and advice concerning your employer retirement plan or other qualified retirement account. When appropriate, we may recommend that you withdraw the assets from your employer's retirement plan or other qualified retirement account and roll the assets over to an individual retirement account ("IRA") to be managed by our firm or a Third-Party Manager that we recommend. If you elect to roll the assets to an IRA under our management, we will charge you an asset-based fee as described in Item 5. This practice presents a conflict of interest because our Advisory Representative has an incentive to recommend a rollover to you for the purpose of generating fee-based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Furthermore, if you do complete the rollover, you are under no obligation to have your IRA assets managed under our program or a Third-Party Managed Program. You have the right to decide whether to complete the rollover and the right to consult with other financial professionals.

Some employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of each.

An employee will typically have four options:

1. Leave the funds in your employer's (former employer's) plan.
2. Roll over the funds to a new employer's retirement plan.
3. Cash out and take a taxable distribution from the plan.
4. Roll the funds into an IRA rollover account.

Each of these options has advantages and disadvantages. Before making a change, we encourage you to speak with your financial advisor, CPA and/or tax attorney.

Before rolling over your retirement funds to an IRA for us to manage or to a Third-Party Managed Program, carefully consider the following (NOTE: This list is not exhaustive):

1. Determine whether the investment options in your employer's retirement plan address your needs or whether other types of investments are needed.
 - a. Employer retirement plans generally have a more limited investment menu than IRAs.
 - b. Employer retirement plans may have unique investment options not available to the public, such as employer securities or previously closed funds.
2. Your current plan may have lower fees than our fee and/or the Third-Party Manager's fee combined.
 1. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
3. You should understand the various products and services available through an IRA provider and their costs.
4. It is likely you will not be charged a management fee and will not receive ongoing asset management services unless you elect to have such services. If your plan offers management services, the fee associated with the service may be more or less than our fee and/or the Third-Party Manager's fee combined.
5. The Third-Party Manager's or our management strategy may have higher risk than the options provided to you in your plan.
6. Your current plan may offer financial advice, guidance, management and/or portfolio options at no additional cost.
7. If you keep your assets titled in a 401(k) or retirement account, you could potentially delay your required minimum distribution beyond age 73.
8. Your 401(k) may offer more liability protection than a rollover IRA; each state varies. Generally, Federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies; however, there can be exceptions. Consult an attorney if you are concerned about protecting your retirement plan assets from creditors.
9. You may be able to take out a loan on your 401(k), but not from an IRA.
10. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or a home purchase.
11. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
12. Your plan may allow you to hire us or another firm as the manager and keep the assets titled in the plan name.

It is important that you understand your options, their features, and their differences, and decide whether a rollover is best for you. If you have questions, contact us at our main number listed on the cover page of this brochure.

In addition to complying with applicable SEC rules, SFG is subject to certain rules and regulations adopted by the U.S. Department of Labor when we provide nondiscretionary investment advice to retirement plan participants and IRA owners. When these DOL rules apply, our advisors and SFG are “fiduciaries,” for purposes of the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended, and the Internal Revenue Code of 1986 (“the Code”), as amended. Therefore, SFG and our advisors may not receive payments that create conflicts of interest when providing fiduciary investment advice to plan sponsors, plan participants, and IRA owners, unless we comply with a prohibited transaction exemption (“PTE”). Beginning December 20, 2021, SFG and our advisors will comply with ERISA and the Code by using PTE 2020-02. As fiduciaries under ERISA and the Code, we render advice that is in plan participants’ and IRA customers’ best interest. SFG’s and our advisors’ status as an ERISA/Code fiduciary is limited to ERISA/Code covered nondiscretionary advice and recommendations regarding rolling over a retirement account and does not extend to all situations.

IV. Client Investment Restrictions.

Clients reserve the right to impose restrictions on certain securities or types of securities that they do not wish to be included in their investment portfolio. In the event that restrictions are imposed by the client, the advisor shall include the request in the client file and clearly notate the alert section of the CRM client profile to ensure the restriction is honored. Clients must provide and regularly update accurate and complete information identifying client’s investment objectives, risk tolerance and investment restrictions, if any, and other like information, when selecting Investment Advisory Services. Each Investment Advisory Service account is reviewed on a periodic basis by the client’s SFG Adviser to determine if the investments are in line with client’s identified objectives and that investment guidelines and account restrictions are being followed.

V. Wrap Fee Programs.

SFG offers investment advisory services through the wrap fee program sponsored by Commonwealth, namely the Preferred Portfolio Services Select wrap fee program (“PPS Select Program”), which generally offers model portfolio allocations for investments in mutual funds and exchange traded funds. Clients selecting this service shall be provided with Commonwealth’s ADV and Regulation BI disclosures for the PPS Select Program, and the clients shall enter into a Program Client Agreement with Commonwealth as the wrap fee program sponsor and portfolio manager.

For clients utilizing the PPS Select Program, SFG will, based on an assessment of the client’s financial needs and objectives, select the model portfolio or portfolios to be utilized by the client within the Select program. Portfolio management is provided by Commonwealth’s Asset Management team. SFG will provide ongoing oversight of the portfolio, including, but not limited to, determining if the selected model portfolio(s) remain appropriate over time in light of the client’s investment objectives, and make changes to the portfolio selections as may be necessary.

VI. Assets Under Management. As of December 31, 2023, SFG has the following assets under management:

	<u>Non-Discretionary</u>	<u>Discretionary</u>	<u>TOTAL</u>
Assets:	\$0	\$352,181,717.68	\$352,181,717.68

VII. Program Choice Conflicts of Interest

Clients should be aware that the compensation to SFG and your advisor will differ according to the specific advisory programs or services provided. This compensation to SFG and your advisor may be more than the amounts we would otherwise receive if you participated in another program or paid for investment advice, brokerage, or other relevant services separately. Lower fees for comparable services may be available through our firm or from other sources. SFG and your advisor have a financial incentive to recommend advisory programs or services that provide us higher compensation over other comparable programs or services available from our firm or elsewhere that may cost you less. For example, the costs you will incur to have your account managed by our firm may be more than what other similar firms may charge. It's important to understand all the associated costs and benefits the program and services you select so you can decide which programs and services are best suited for your unique financial goals, investment objective, and time horizon. We encourage you to review our Form CRS and to discuss your options with your advisor.

In addition, Commonwealth offers our firm and our advisors one or more forms of financial benefits based on our total assets under management held at Commonwealth or in Commonwealth's PPS Program accounts, as well as financial assistance for transitioning from another firm to Commonwealth. The types of financial benefits that your advisor may receive from Commonwealth include, but are not limited to, forgivable or unforgivable loans, enhanced payouts, and discounts or waivers on transaction, platform, and account fees; technology fees; research package fees; financial planning software fees; administrative fees; brokerage account fees; account transfer fees; licensing and insurance costs; and the cost of attending conferences and events. The enhanced payouts, discounts, and other forms of financial benefits that your advisor may have the opportunity to receive from Commonwealth provide a financial incentive for our firm and your advisor to select Commonwealth as broker/dealer for your accounts over other broker/dealers from which they may not receive similar financial benefits. Please see items 12 and 14 of this Brochure for more detailed information about these types of conflicts and our relationship with Commonwealth.

Commonwealth charges our advisors an administrative fee at the same time clients are charged asset-based fees for their managed accounts. The administrative fee is charged to and paid by the advisor rather than the advisor's clients and is calculated as a percentage of the total managed account assets, including cash and money market positions, held by the advisor's clients. The administrative fee is used to offset Commonwealth's maintenance costs associated with account reporting and reconciliation.

In the same manner as many advisors offer asset management fee discounts to their larger clients, Commonwealth offers those advisors to whom it charges administrative fees discounts based on their total assets under management. As these advisors grow their business, Commonwealth's economies of scale are shared with those advisors by reducing the percentage amount of administrative fees that would otherwise be charged to the advisors. The advisors receive discounts

on the administrative fee when they reach specified asset levels, starting at \$10 million. As the amount of the advisors' client assets grows above certain levels, the advisors receive larger percentage discounts to the administrative fees. Some advisors have negotiated a flat administrative fee with Commonwealth. Others may have negotiated a specific payout for a period of time as part of their agreement to join the firm.

Additionally, advisors with AUM of at least \$25 million qualify for an increased payout percentage on their clients' management fees, starting at 90.00% and rising to a maximum of 99.00% as their AUM grows.

These discounts in administrative fees and higher payouts for reaching various AUM levels present a conflict of interest because they provide a financial incentive for advisors who receive the discounts to recommend PPS programs or other managed or wrap account programs over other available programs that do not offer such discounts or higher payouts to the advisors. On the other hand, because Commonwealth does not assess administrative fees to advisors when they use certain other third party managed account programs depending upon the costs and fees of a particular third-party program, advisors may have a financial incentive to use one or more third party programs, which also creates a conflict of interest.

Item 5. Fees and Compensation.

I. INVESTMENT ADVISORY SERVICES COMPENSATION

1. Percentage of Assets Based Compensation.

(a) Clients choosing Investment Advisory Services (described in [Item 4.A](#) above) will compensate SFG based on a percentage of the total value of their investment advisory account portfolio (including annuities consisting of no-load funds for which SFG Adviser did not receive any commission upon purchase, but there may be additional costs - See [Items 13, 14](#) and [15](#) below) as of the last business day of each prior calendar quarter. Generally, such compensation is calculated by dividing the number of days that the account was active for the prior calendar quarter by 365, multiplying the quotient by the annual percentage rate set forth below, and multiplying the product by the portfolio value at the end of the prior calendar quarter, as adjusted (see immediately below).

(b) SFG also draws a distinction between new clients (those who do not hold existing accounts with SFG where SFG has not received transaction-based compensation) and those who are existing SFG clients (those with existing accounts where SFG has already received transaction-based compensation). As illustrated below, existing SFG clients who convert their account(s) to managed account(s) may be offered a discounted rate. Regardless of whether the client is new or converting from an existing SFG account, the initial total portfolio value must meet a minimum. Generally, the minimum portfolio size for clients seeking SFG's Investment Advisory Services is \$250,000, however exceptions may be made at the discretion of SFG. See also [Item 7](#) below.

(i) **New Clients.** The annual fee percentage is based on a tiered fee schedule generally applicable to new clients on amounts comprising such client's portfolio as follows:

Tier	Applies to Assets Under Management	Percentage of Assets
1	The first \$250,000	1.50%
2	Additions and/or Amount from \$250,000.01 to \$500,000.00	1.00%
3	Additions and/or Amounts from \$500,000.01 to \$750,000	0.80%
4	Additions and/or Amounts from \$750,000.01 to \$1,000,000	0.70%
5	Additions and/or Amounts from \$1,000,000.01 to \$1,500,000	0.65%
6	Additions and/or Amounts from \$1,500,000.01 to \$2,000,000	0.60%
7	Additions and/or Amounts over \$2,000,000	As agreed

The annual percentage applicable to new clients shall be a blended rate, charged based on the above tiered fee schedule.

For instance, new client fees shall be assessed in the following manner:

- 1.50% of the first \$250,000.00 in the client's account;
- 1.00% on amounts in client's portfolio between \$250,000.01 to \$500,000.00;
- 0.80% on amounts in client's portfolio between \$500,000.01 to \$750,000.00; and
- following the fee tiers for each addition or increase to the account raising the value of the account to each tier benchmark.

(ii) **Existing Clients.**

(A) **Wishing to Convert.** The annual percentage applicable to existing clients who have already paid transaction-based compensation and wish to convert assets to Investment Advisory Services may be discounted as deemed appropriate by SFG, and different clients engaged in identical transactions may pay more or less than other clients for the same services. Client may be able to obtain comparable services provided by and/or through others for lower fees.

(B) **Wishing to Remain Financial Planning Only Clients.** Existing clients not wishing to convert to the Investment Advisory Service program may continue to use solely the Financial Planning Services or services as described above.

(C) **Flat Fee.** Clients may also engage SFG for Financial Planning Services and will be charged a flat fee for such services, as further described in Section 5.II below.

(D) **Variations.** From time to time, SFG may, by agreement with clients, based on the relative complexity of the services, charge fees different from (but in no

event higher than those stated) those outlined hereinabove. All such fees shall be fully disclosed, assented to, and evidenced in writing signed by client and SFG. The aggregate amount paid by clients may vary, and clients (given the differences between and among clients, their needs and their distinct objectives, and the possible varying complexities) may pay different rates and/or fees, which means different clients may receive the same services, but pay different rates and/or fees.

2. Wrap Fee.

Clients participating in the PPS Select Program will pay a total account fee that consists of a combination of an advisor fee and a program fee.

Clients participating in the PPS Select program will generally pay a fixed rate annual advisor fee not to exceed 1.25%.

In addition to the annual advisor fee, all clients participating in PPS Select will pay an annual program fee.

There are several different PPS Select model portfolios with program fees that vary; however, the maximum fee within the PPS Select program is as follows:

Account Value	Maximum Program Fee ²
First \$250,000	0.60%
Next \$250,000	0.50%
Next \$500,000	0.45%
Next \$1,000,000	0.40%
Next \$3,000,000	0.35%
Next \$5,000,000 or more	0.30%

¹ The maximum annual advisor fee for certain account sizes and types may be negotiated.

² Commonwealth will charge a minimum annual program fee of \$600 (\$150 quarterly) for certain accounts, which may exceed the maximum annual program fee percentage based on account size.

3. Other Fee Information

(a) Transaction charges

Apart from wrap fee programs, when Commonwealth effects securities transactions for a client's account, Commonwealth passes on to clients the securities clearance and settlement fees charged by its clearing broker/dealer with a substantial markup that is retained by Commonwealth. Commonwealth adds a markup to the transaction fees assessed by its clearing firm and paid by clients or clients' advisors to compensate Commonwealth for the cost of its resources utilized in processing the transaction(s) and to generate additional revenue for Commonwealth. SFG typically passes on the securities clearance and settlement fees charged by Commonwealth and its clearing broker/dealer, unless otherwise agreed upon between advisor and client. The maximum charges are as follows:

Transaction Charges

Stocks, ETFs, and Closed-End Funds

Online order entry (including block trades)	\$7.95 ¹ /\$4.95 ²
Trader assisted	\$25 ¹
Bonds, CDs, CMOs, and Structured products	\$30 ¹
UITs	\$20 ¹

Options

Online order entry (including block trades)	\$15 + \$1 per contract ¹
Trader assisted	\$20 + \$1.25 per contract ¹

Alternative Investments

	\$50
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Precious Metals

	\$50 ¹
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Mutual Funds

	No Transaction Fee (NTF)	Supporting ³	Nonsupporting ^{4,5}
Buy	\$0	\$12/\$15 ¹	\$30 ¹ /\$35 ^{1,6}
Sell	\$0 ⁷	\$12/\$15 ¹	\$30 ¹ /\$35 ^{1,6}
Exchange	\$0	\$0	\$30/\$35 ⁶
PIP/SWP ⁸	\$0	\$0	\$3

¹Plus service fee of \$4 for accounts *not* enrolled in all available e-notification (e-delivery) options (excluding tax documents).

²Account *must* be enrolled in all available e-delivery options (excluding tax documents).

³Represents more than 500 supporting fund families from which Commonwealth receives revenue-sharing payments from NFS.

⁴Commonwealth does not receive revenue-sharing payments derived from investments in nonsupporting funds. NFS assesses Commonwealth a transaction surcharge for buys, sells, and exchanges of nonsupporting funds. Commonwealth's transaction charges are substantially higher for nonsupporting funds to compensate Commonwealth for the absence of revenue sharing and the assessment of a transaction surcharge by NFS. These nonsupporting fund families are CGM, Dodge & Cox, and Vanguard.

⁵While Commonwealth does receive revenue-sharing payments from NFS that are derived from Dimensional Fund Advisors (DFA) fund assets, these payments are substantially less as a percentage of fund assets than amounts paid by supporting fund families. Commonwealth therefore classifies DFA funds as nonsupporting funds. Unlike other nonsupporting funds, NFS does not assess Commonwealth a transaction surcharge for transactions in DFA funds. Nevertheless, Commonwealth assesses the same surcharges for buy transactions in DFA funds that are noted in footnote 4 for nonsupporting funds. DFA sell transaction surcharges are identified in footnote 3 which are lower than sell transactions for other nonsupporting funds identified in footnote 4. DFA sell transactions processed through the Commonwealth's trade desk shall be \$20. Commonwealth's receipt of revenue-sharing payments from DFA fund assets (albeit substantially less than from supporting funds), combined with the higher transaction charges for buys generates greater revenue for Commonwealth relative to DFA fund assets than the other nonsupporting funds identified in footnote 4.

⁶If processed by Commonwealth's Trade Desk.

⁷Funds purchased prior to their NTF effective date will still incur a transaction charge.

⁸Periodic investment plans (PIPs) and systematic withdrawal plans (SWPs) carry a \$100 minimum

Commonwealth assesses confirmation fees to clients to offset the asset-based fees it pays to its clearing broker/dealer and to generate additional revenue for Commonwealth.

(b) **No Percentages Greater Than Those Stated.** Certain clients may pay percentage of asset-based compensation that is less than that stated above, but in no instance pay a percentage greater than those stated above.

(c) **Possible Availability of Lower Percentages.** Clients may be able to obtain

comparable services provided by and/or through others for lower percentages.

(d) **Method of Payment.** SFG asset-based compensation is calculated on the basis of the value of the account as of the last business day of each prior calendar quarter and on the date of each withdrawal (other than for de minimis amounts). SFG compensation is payable on the first working day of each calendar quarter. For Accounts which are opened or terminated within any given calendar quarter, SFG will charge the client asset-based compensation on a pro rata, per diem basis for the period of time during which the assets are managed by SFG. Additions to the portfolio (other than de minimis amounts) will be valued from the date added through to the earlier to occur of the date of withdrawal or the end of each calendar quarter. No asset-based compensation is paid in advance. Client may reimburse the portfolio for asset-based compensation charged and paid to SFG. Asset-based compensation is paid to SFG and/or SFG Advisers by Commonwealth, pursuant to a written authorization from the client, directly from funds then available in the client's account unless otherwise directed in writing by the client.

(e) **Commonwealth Retention.** In the same manner as many advisors offer asset management fee discounts to their larger clients, Commonwealth offers those advisors to whom it charges administrative fees discounts based on their total assets under management. As these advisors grow their business, Commonwealth's economies of scale are shared with those advisors by reducing the percentage amount of administrative fees that would otherwise be charged to the advisors. The advisors receive discounts on the administrative fee when they reach specified asset levels, starting at \$10 million. As the amount of the advisors' client assets grows above certain levels, the advisors receive larger percentage discounts to the administrative fees.

Additionally, advisors with advisory AUM of at least \$25 million qualify for an increased payout percentage on their clients' management fees, starting at 90.00% and rising to a maximum of 99.00% as their AUM grows.

These discounts in administrative fees and higher payouts for reaching various AUM levels present a conflict of interest because they provide a financial incentive for advisors who receive the discounts to recommend PPS programs or other managed or wrap account programs over other available programs that do not offer such discounts or higher payouts to the advisors. On the other hand, because Commonwealth does not assess administrative fees to advisors when they use certain other third party managed account programs depending upon the costs and fees of a particular third-party program, advisors may have a financial incentive to use one or more third party programs, which also creates a conflict of interest.

(f) **Redemptions / Liquidations.** There may be instances when investments have to be liquidated or certain shares redeemed in order to terminate the account or generate sufficient cash to cover compensation due to SFG. Pursuant to the Investment Advisory Agreement and/or agreements with the broker-dealer and/or qualified custodian of the Account, client authorizes SFG to effect such redemptions and/or liquidations as its compensation becomes due. If and when such liquidation or redemption becomes necessary, client is responsible for any attendant transaction costs including, without limitation, service fees.

In the event there is insufficient cash available in the money market fund in the account to effect payment of quarterly compensation, SFG will generally direct the liquidation/redemption of

securities by first redeeming, as necessary and if possible, securities within a client's account for which no transaction fee will be generated; subsequent redemptions are made with the objective of minimizing, as much as possible, the payment of transaction fees.

II. FINANCIAL PLANNING SERVICES COMPENSATION

1. Flat Fee. The fees for Financial Planning Services (described in [Item 4.B](#) above) are based on a Flat Fee which generally ranges from between \$1,500 and \$3,000, depending upon the complexity of the Plan, or as may be otherwise agreed in writing by SFG and client. The same compensation is payable to SFG for a review of an existing Plan. SFG advises clients in advance as to what the Plan or Review will cost.

2. Payment/ Date. Flat fees are payable generally according to the following schedule: up to one half (not to exceed \$1,200.00) at the time of signing the Planning Engagement Agreement, and the balance upon delivery of the financial plan, or at the time such other described planning services are rendered.

3. Variations. From time to time, SFG may by agreement with clients, based on the relative complexity of the services provided, charge fees different from (but in no event higher than those stated) those outlined hereinabove. All such fees shall be fully disclosed, assented to, and evidenced in writing signed by both client and SFG. The aggregate amount paid by clients may vary, and clients (given the differences between and among clients, their needs and their distinct objectives, and the possible varying complexities) may pay different rates and/or fees, which means different clients may receive the same services, but pay different rates and/or fees.

III. RETIREMENT PLAN CONSULTING

The Commonwealth Retirement Plan Consulting Program provides clients with the option of paying an annual fee for ongoing services based on a percentage of assets under advisement, a flat fee, or an hourly rate not to exceed \$500. The fee amount a client will pay is negotiable between the client and the advisor and will be associated with all services provided by the advisor under the Retirement Plan Consulting Agreement. It is the responsibility of the plan sponsor to ensure that these fees are reasonable. Fees may be paid directly from qualified plan assets or may be direct billed, as agreed between the client and the Advisor.

SFG allows for the aggregation of assets among a client's "related" managed accounts for purposes of determining the value of AUM and the applicable advisory fee to be paid by a client. SFG reserves the right to determine whether client accounts are "related" for purposes of aggregating a client's accounts together for a reduction in the percentage fee amount.

IV. ADDITIONAL COSTS & CONSIDERATIONS

In addition to the compensation paid to SFG under the above options, the clients may be responsible for one or more of the following costs, charges, or expenses.

1. Management Fees Charged by Mutual Funds. To the extent SFG advises a client

to invest in mutual funds and/or variable annuities, the client will bear their proportionate share of the internal management expenses of each mutual fund and/or variable annuities. All compensation paid to SFG or the SFG Adviser for its services is separate and distinct from the fees and expenses charged by mutual funds and/or variable annuities for their respective services. These fees and expenses, which may include management, administrative, sales and distribution charges, shall be described in each fund's prospectus and/or variable annuity brochure. A client could invest in a mutual fund and/or variable annuity directly, without the services of SFG or the SFG Adviser. In that case, the client would not receive the services provided by SFG or the SFG Adviser. The client should review both the fees charged by the funds and/or variable annuities and the compensation paid to SFG or the SFG Adviser to fully understand the total amount of costs paid by the client and to thereby evaluate the services being provided by SFG or the SFG Adviser.

2. Transaction Charges/Custodian Fees. To the extent SFG recommendations are implemented on behalf of client, client may also pay a brokerage commission, ticket, transaction and/or other like charges. Client should investigate fully with client's Commonwealth registered representative the conditions under which transaction and commission charges are imposed and in what amounts. See [Item 10.C](#) below. A conflict of interest may arise where the recommendations or strategies developed by SFG, or the selection by client, of a particular investment or service over other competing products or services may result in client paying more than if client purchased the investment or service directly and may result in additional compensation being paid to SFG. SFG has instructed all SFG Advisers to disclose any compensation to be paid to SFG and the SFG Adviser, and inform the client of his/her freedom to purchase investments from other provider(s). Clients selecting Investment Advisory Services option do not pay brokerage commissions or sales charges, but clients may still be responsible for transaction and ticket charges.

3. Other Expenses/Fees

(a) SFG generally does not recommend investments to investment advisory clients that derive so-called trailing fees and/or 12b-1 fees, which are fees paid by mutual funds or certain variable annuities to cover distribution expenses and sometimes shareholder service expenses. SFG does not accept any such 12b-1 fees or trailing commissions from investment advisory accounts, which could be derived from the placement of client's assets in mutual funds and/or certain variable annuities. To any extent that any and all such 12b-1 and/or trailing fees are or have been assessed to any investment advisory accounts, SFG shall credit back any such fees to clients. Assets placed in mutual funds and/or certain variable annuities, paying 12b-1 fees, may be subject to higher expenses than those in other like products providing similar services. Assets placed in so-called A shares may entitle clients with large investments to breakpoints on sales charges not available to comparable investments in B shares (moreover, purchase of A shares recommended are effected at net asset value without regard to breakpoints) and investment in A shares generally produce higher returns than B shares for long-term investors.

(b) Further, a client may pay transaction fees for the purchase of mutual fund securities and/or no-load variable annuities that the client may or may not pay if the client had purchased the security directly and/or through a broker-dealer other than Commonwealth (i.e., no-load mutual funds). There may be additional fees and charges (e.g., IRA, custodial fees) charged by the qualified custodian, NFS, or other clearing brokers.

(c) All other fees and charges, if any, are set forth in the Investment Advisory

Agreement signed by Client and related to the client selected service(s).

4. Taxes, Etc. Client is solely responsible for any and all tax consequences in his/her portfolio.

5. Comparable Services. Client may be able to obtain comparable services provided by and/or through others for lower fees than those summarized above.

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

SFG does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client, nor do any advisors or supervised person(s) of SFG or selected by SFG for client accounts charge performance-based fees.

Item 7. Types of Clients

SFG generally provides investment advice and/or management supervisory services to the following Types of Clients:

- Individuals
- High Net Worth Individuals
- Trusts, Estates and Charitable Organizations

For clients seeking Investment Advisory Services, SFG has minimums on the initial total portfolio value. Clients of SFG seeking Investment Advisory Services are generally required to have an initial total portfolio value of \$250,000 or more. All of the foregoing may be negotiated from time to time at the discretion of SFG.

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

A. Advisory Services Methods of Analysis and Investment Strategies

SFG offers investment advice on various securities including equities, corporate debt, municipal, U.S. Government securities and annuities with an emphasis on investment company shares (mutual funds) and exchange traded funds (ETFs) based on SFG's fundamental and technical security analysis methods. SFG's investment strategies include long and short-term purchases, but SFG does not recommend short sales, margin or options in client accounts. SFG's investment strategies may include the following:

- Analysis of major economic, financial and political events.
- Analysis of Portfolio investment performance summaries.
- Adjustment of Portfolio weightings to changes in client's stated needs, investment objectives and risk tolerance.
- Adjustment of Portfolio weightings to changes in the business cycle, the capital markets and the risk-return relationships both within and between the asset categories.

- Specific buy/sell/no-action decisions dictated by the client.

The investment recommendations and strategies provided by SFG and SFG Advisers may vary among clients, notwithstanding the existence of similar investment objectives, risk tolerances and/or other factors. Clients utilizing the same general category of investment strategy may experience different results in their Portfolios.

SFG utilizes input from various sources in making decisions, and the sources may vary from one client to another, and one source or more may predominate during certain periods. SFG periodically monitors financial news media, reviews periodic publications and recommendations from broker-dealers, other investment professionals and other investment advisers and reviews publications and online services to aid in the evaluation of various investment vehicles and to gather information about general market trends. SFG will also monitor and review research materials, corporate ratings services, annual reports, prospectuses, and SEC filings.

B. PPS Select Methods of Analysis and Investment Strategies

Commonwealth's PPS Select Program is based on asset allocation concepts and modern portfolio theory. The PPS Select portfolios are designed to provide long-term, risk-adjusted returns for investors across the risk/return spectrum. Depending on the program and model selected by a client, the program may invest in open-end mutual funds, closed-end funds, ETFs, individual municipal fixed income securities, and individual equity securities managed by Commonwealth's Investment Management and Research team. When selecting investments for inclusion or removal from the PPS Select portfolios, the Investment Management and Research team conducts extensive due diligence.

Commonwealth's investment philosophy process has five steps: (1) screening, (2) evaluation, (3) analysis, (4) portfolio construction, and (5) ongoing monitoring:

- **Step 1—Screening:** An initial screening process based on quantitative criteria is used as a starting point for further research. Its purpose is to narrow down the universe of investments that meet Commonwealth's objective criteria.
- **Step 2—Evaluation:** After screening, the investment (or group of investments) under consideration is evaluated by applying a scoring system based on returns that are adjusted to take into account quantifiable risk. The investment is also evaluated based on its peer group ranking, benchmark relative performance, and consistency of investment management style.
- **Step 3—Analysis:** The objective of this step is to build a solid understanding of how the investment operates. During this stage, the Investment Management team spends a great deal of time evaluating the investment's philosophy and process to ensure that they are consistent. After the in-depth quantitative and qualitative analysis is complete, the team meets with the potential investment's key decision makers—either on-site or over the phone—to gain a greater understanding of their process for managing the portfolio.
- **Step 4—Portfolio Construction:** After Commonwealth's portfolio managers have determined that the investment is attractive on a stand-alone basis, they assess how well the investment complements and fits with other PPS Select portfolio holdings. A review of

certain metrics, such as excess-return correlation, is performed to reasonably ensure that holdings will perform as expected in different market environments.

- **Step 5—Ongoing Monitoring:** The PPS Select portfolios are monitored on an ongoing basis. The Investment Management and Research team continually conducts performance reviews, holdings-based attribution analysis, firm commentary reviews, and conference calls and meetings to determine whether a portfolio is meeting the team's risk-adjusted return expectations and an investment's stated objective.

C. Material Risks Involved

All investment strategies have certain risks that are borne by the investor, including but not limited the following risks:

- **Market risks:** The prices of, and the income generated by, the common stocks, bonds, and other securities you own may decline in response to certain events taking place around the world, including those directly involving the issuers; conditions affecting the general economy; overall market changes; local, regional, or global political, social, or economic instability; governmental or governmental agency responses to economic conditions; and currency, interest rate, and commodity price fluctuations.
- **Interest rate risks:** The prices of, and the income generated by, most debt and equity securities may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities. For example, the prices of debt securities generally will decline when interest rates rise and will increase when interest rates fall. In addition, falling interest rates may cause an issuer to redeem, "call," or refinance a security before its stated maturity date, which may result in having to reinvest the proceeds in lower-yielding securities.
- **Credit risks:** Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default.
- **Risks of investing outside the U.S.:** Investments in securities issued by entities based outside the United States may be subject to the risks described above to a greater extent.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. As a result, they may carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

D. Types of Securities & Risks of Specific Securities Utilized

SFG may offer advice on various forms of investments, including but not limited to:

- Equity Securities
 - Exchange-Listed Securities;
 - Securities traded over the counter;
 - Foreign Issuers
- Certificates of Deposit
- Municipal Securities
- Investment Company Securities
 - Variable Life Insurance
 - Variable Annuities
 - Mutual Fund Shares
- United States Government Securities
- Interests in Partnerships Investing in:
 - Real Estate; and
 - SFG may provide investment advisory services that advise clients with respect to other direct participation programs including alternative energy programs, research and development programs and leasing programs.

SFG also presently may recommend that certain clients invest in alternative instruments, including real estate investment trusts. Although SFG's primary business is investment advice, SFG Advisers (in one or more capacities - see [Item 10](#) below) may advise certain clients as to annuities from time to time.

Descriptions of the types of securities we may recommend to you and some of their inherent risks are provided below:

- **Money market funds:** A money market fund is technically a security, and, as such, there is a risk of loss of principal, although it is generally rare. In return for this risk, you should earn a greater return on your cash than you would expect from a Federal Deposit Insurance Corporation ("FDIC") insured savings account (money market funds are not FDIC insured). Next, money market fund rates are variable. In other words, you do not know how much you will earn on your investment next month. The rate could go up or down. If it goes up, that may result in a positive outcome. If it goes down, however, and you earn less than you expected to, you may end up needing more cash. A final risk you are taking with money market funds has to do with inflation. Because money market funds are considered to be safer than other investments like stocks, long-term average returns on money market funds tend to be less than long-term average returns on riskier investments. Over long periods of time, inflation can eat away at your returns.

- **Municipal securities:** Municipal securities, while generally thought of as safe, can have significant risks associated with them, including, but not limited to, the creditworthiness of the governmental entity that issues the bond, the stability of the revenue stream that is used to pay the interest to the bondholders, when the bond is due to mature, and whether the bond can be “called” prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.
- **Bonds:** Also known as corporate debt securities, bonds are typically safer investments than equity securities, but their risk can also vary widely based on the financial health of the issuer, the risk that the issuer might default, when the bond is set to mature, and whether the bond can be “called” prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.
- **Stocks:** There are numerous ways of measuring the risk of equity securities (also known simply as “equities” or “stocks”). In very broad terms, the value of a stock depends on the financial health of the company issuing it. Stock prices, however, can be affected by many other factors, including, but not limited to, the class of stock (e.g., preferred, or common), the health of the market sector of the issuing company, and the overall health of the economy. In general, larger, more well-established companies (i.e., large-caps) tend to be safer than smaller start-up companies (i.e., small-caps), but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.
- **Mutual funds and ETFs:** Mutual funds and ETFs are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund’s investments in accordance with the fund’s investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small-cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds in that they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are “no load,” meaning there’s no fee to buy into or sell out of the fund, other types of mutual funds do charge such fees, which can also reduce returns. Mutual funds can also be “closed-end” or “open-end.” Open-end mutual funds continue to allow new investors indefinitely, whereas closed-end funds have a fixed number of shares to sell, which can limit their availability to new investors.
- **Variable annuities:** A variable annuity is a form of insurance where the seller or issuer (typically an insurance company) makes a series of future payments to a buyer (annuitant) in exchange for the immediate payment of a lump sum (single-payment annuity) or a series of regular payments (regular-payment annuity). The payment stream from the issuer to the annuitant has an unknown duration based principally upon the date of death of the

annuitant. At this point, the contract will terminate, and the remainder of the funds accumulated will be forfeited unless there are other annuitants or beneficiaries in the contract. Annuities can be purchased to provide an income during retirement. Unlike fixed annuities that make payments in fixed amounts or in amounts that increase by a fixed percentage, variable annuities pay amounts that vary according to the performance of a specified set of investments, typically bond and equity mutual funds. Many variable annuities typically impose asset-based sales charges or surrender charges for withdrawals within a specified period. Variable annuities may impose a variety of fees and expenses, in addition to sales and surrender charges, such as mortality and expense risk charges, administrative fees, underlying fund expenses, and charges for special features, all of which can reduce the return.

- **Real estate:** Real estate is increasingly being used as part of a long-term core strategy due to increased market efficiency and increasing concerns about the future long-term variability of stock and bond returns. In fact, real estate is known for its ability to serve as a portfolio diversifier and inflation hedge. The asset class still bears a considerable amount of market risk, however. Real estate has shown itself to be very cyclical, somewhat mirroring the ups and downs of the overall economy. In addition to employment and demographic changes, real estate is also influenced by changes in interest rates and the credit markets, which affect the demand and supply of capital and, thus, real estate values. Along with changes in market fundamentals, investors wishing to add real estate as part of their core investment portfolios need to look for property concentrations by area or by property type. Because property returns are directly affected by local market basics, real estate portfolios that are too heavily concentrated in one area or property type can lose their risk mitigation attributes and bear additional risk by being too influenced by local or sector market changes.
- **Limited partnerships:** A limited partnership is a financial affiliation that includes at least one general partner and a number of limited partners. The partnership invests in a venture, such as real estate development or oil exploration, for financial gain. The general partner has management authority and unlimited liability. The general partner runs the business and, in the event of bankruptcy, is responsible for all debts not paid or discharged. The limited partners have no management authority, and their liability is limited to the amount of their capital commitment. Profits are divided between general and limited partners according to an arrangement formed at the creation of the partnership. The range of risks is dependent on the nature of the partnership and disclosed in the offering documents if privately placed. Publicly traded limited partnerships have similar risk attributes to equities; however, like privately placed limited partnerships, their tax treatment is under a different tax regime from equities. You should speak to your tax adviser in regard to their tax treatment.
- **Options contracts:** Options are complex securities that involve risks and are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss. It is generally recommended that you only invest in options with risk capital. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date (i.e., the expiration date). The two types of options are calls and puts. A call gives the holder the right to buy an asset at a certain

price within a specific period of time. Calls are similar to having a long position on a stock. Buyers of calls hope that the stock will increase substantially before the option expires. A put gives the holder the right to sell an asset at a certain price within a specific period of time. Puts are very similar to having a short position on a stock. Buyers of puts hope that the price of the stock will fall before the option expires. Selling options is more complicated and can be even riskier. Option trading risks are closely related to stock risks, as stock options are a derivative of stocks.

- **Structured products:** A structured product is generally a prepackaged investment strategy based on derivatives, such as a single security, a basket of securities, options, indices, commodities, debt issuances, and/or foreign currencies, and, to a lesser extent, swaps. Structured products are usually issued by investment banks or affiliates thereof. In addition to a fixed maturity, they have two components: a note and a derivative. The derivative component is often an option. The note provides for periodic interest payments to the investor at a predetermined rate, and the derivative component provides for the payment at maturity. Some products use the derivative component as a put option written by the investor that gives the buyer of the put option the right to sell to the investor the security or securities at a predetermined price. Other products use the derivative component to provide for a call option written by the investor that gives the buyer of the call option the right to buy the security or securities from the investor at a predetermined price. A feature of some structured products is a “principal guarantee” function, which offers protection of principal if held to maturity. These products are not always FDIC insured, however; they may only be insured by the issuer and, thus, have the potential for loss of principal in the case of a liquidity crisis or other solvency problems with the issuing company. Investing in structured products involves a number of risks, including, but not limited to, fluctuations in the price, level, or yield of underlying instruments; interest rates; currency values; and credit quality. They also involve the risk of substantial loss of principal, limits on participation in any appreciation of the underlying instrument, limited liquidity, credit risk of the issuer, conflicts of interest, and other events that are difficult to predict.

Investments may also be affected by currency controls; different accounting, auditing, financial reporting, disclosure, and regulatory and legal standards and practices; expropriation (occurs when governments take away a private business from its owners); changes in tax policy; greater market volatility; different securities market structures; higher transaction costs; and various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends. These risks may be heightened in connection with investments in developing countries. Investments in securities issued by entities domiciled in the United States may also be subject to many of these risks.

Any of the common risks described above could adversely affect the value of your portfolio and account performance, and you can lose money. Even though these risks exist, SFG and your advisor will still earn the fees and other compensation described in this Brochure. Clients should carefully consider the risks of investing and the potential that they may lose principal while SFG and your advisor continue to earn fees and other forms of compensation.

Your investments are not bank deposits and are not insured or guaranteed by the FDIC or any other governmental agency, entity, or person, unless otherwise noted and explicitly disclosed as such, and as such may lose value.

Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

Item 9. Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of SFG's management.

Item 10. Other Financial Industry Activities and Affiliations

A. Registration as a Broker/Dealer or Broker/Dealer Representative

Neither SFG, nor any of its Advisers in their capacities as Investment Adviser Representatives of SFG, sell products or services other than investment advice (e.g., Investment Advisory Service, and Financial Planning Services as described above in [Item 4](#)) to clients; however, in their capacities as registered representatives of Commonwealth, SFG Advisers may sell investment/insurance products or services and may be compensated for same as described below in [Item 10.C](#).

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor

Neither SFG nor its representatives are registered as a Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests

1. Broker-Dealer. While SFG does not consider Commonwealth a related person of SFG, it is true that presently all SFG Advisers are registered representatives of Commonwealth. Commonwealth is a securities broker-dealer and a member of FINRA and an investment adviser registered with the Securities and Exchange Commission. Commonwealth's registered representatives may act as the advisory client's representative in the execution of securities transactions on a normal and customary basis.

Commonwealth, through SFG Advisers, provides securities execution and other services. SFG Advisers, in their capacities as Commonwealth registered representatives, are subject to the supervision and control of Commonwealth and may receive commissions and other payments from Commonwealth for the sale of securities products and services. Trades in client accounts selecting SFG's Investment Advisory Services shall be executed through Commonwealth.

SFG Advisers are registered representatives of Commonwealth, a securities broker-dealer, and will

be compensated for effecting securities transactions. As a broker-dealer, Commonwealth engages in a broad range of activities normally associated with securities brokerage firms. SFG Advisers in their capacities as registered representatives of Commonwealth are subject to both contractual undertakings with Commonwealth and regulatory requirements to execute all securities trades through Commonwealth. Commonwealth and/or other brokers may charge transaction, ticket and/or other charges that are obligations of the client to pay unless otherwise agreed in writing. SFG Advisers may receive compensation for their activities as registered representatives.

Our advisors have a conflict of interest in recommending clients purchase securities and/or insurance related products in that as their production with Commonwealth rises, they receive a higher payout on compensation earned. Depending on the type of account you open, Commonwealth and/or your advisor may receive transaction-based commissions, mutual fund 12b-1 fees, distributor fees, service fees, due diligence fees, marketing reimbursements, revenue sharing, or other payments relating to your investment in or otherwise supporting Commonwealth's or your advisor's activities regarding the securities and insurance products recommended, purchased, or held within your account. To the extent Commonwealth is the investment adviser, sponsor, or other service provider to your investment advisory program, Commonwealth receives compensation for its services. Clients should be aware that Commonwealth's, SFG's or your advisor's receipt of commissions, fees, payments, and other compensation presents a conflict of interest because Commonwealth, SFG or your advisor has an incentive to make available or to recommend those products or programs, or make investment decisions regarding investments, that provide such compensation to Commonwealth, SFG or your advisor.

Further, our advisors are restricted to only offering those products and services that have been reviewed and approved for sale to the public through Commonwealth pursuant to Commonwealth policy.

2. Other Investment Adviser. While SFG does not consider Commonwealth a related person of SFG, one SFG investment adviser representative, Donna Sowa Allard, is also an investment adviser representative of Commonwealth. Commonwealth is an investment adviser registered with the Securities and Exchange Commission. Ms. Sowa Allard, in her capacity as Commonwealth investment adviser representative, is subject to the supervision and control of Commonwealth and may receive compensation from Commonwealth for investment advisory services provided to Commonwealth clients, who generally have accounts below the SFG minimum account requirements set forth in [Item 5.I.](#) above.

3. Investment Company. While SFG does not have a related person who is an investment company, certain mutual fund companies may provide assistance, from time to time, to SFG in presenting informational seminars to clients and/or prospective clients. Such assistance may include providing the following: marketing support and/or other support such as facilities, catering and the like.

4. Insurance Company or Agency. Neither SFG nor any SFG Adviser is an insurance company or agency, but presently all SFG Advisers hold Insurance Products Licenses from the State of Rhode Island and as such may receive customary commissions on insurance products sold (other than annuities included in a client's portfolio upon which a management fee is charged).

SFG Advisers in such capacity may advise certain clients as to annuities from time to time. If a client has annuity product(s) with no-load funds and requests SFG or an SFG Adviser to provide Investment Advisory Services or Investment Recommendation Services, the value of the applicable funds may be added to the client's portfolio and an advisory fee based on a percentage of assets will be charged unless otherwise agreed in writing by SFG and client.

A conflict of interest may arise where the recommendations or strategies developed by SFG, or the selection by client, of a particular investment or service over other competing products or services may result in client paying more than if client purchased the investment or service directly and may result in additional compensation being paid to SFG. SFG has instructed all SFG Advisers to disclose any compensation to be paid to SFG and the SFG Adviser and inform the client of his/her freedom to purchase investments from other provider(s).

SFG prohibits any employees from receiving any compensation in connection with such employee's position with SFG except as permitted under applicable SEC, FINRA and state guidelines, including related disclosure requirements.

D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections

Pursuant to the investment advice given by SFG and/or SFG Advisers, investment in securities may be recommended for clients. If Commonwealth is selected as the broker-dealer, it may effect transactions in securities for clients of SFG or SFG Advisers. By serving as the broker-dealer, Commonwealth and its registered representatives, including SFG Advisers, may receive commissions for executing securities transactions. In the process of selecting investments and/or mutual funds, SFG's association with Commonwealth may provide an incentive for SFG's Adviser's choice of certain securities and products and not others, as certain securities are not offered through Commonwealth.

Item 11. Code of Ethics, Participation or Interest in Client Transaction and Personal Trading

A. Code of Ethics. SFG has adopted and provided to all SFG Advisers its *Code of Ethics* ("Code"), as amended from time to time, which provides guidance on certain issues to assist SFG's employees in conducting themselves consistent with significant ethical principles. The Code challenges all SFG staff members to live up to the law and to conduct themselves with honesty and integrity and in compliance with all rules, laws and regulations of state and federal agencies that regulate SFG. SFG's Code further contains provisions preventing employees from misusing clients' holding, transaction and other confidential information. A copy of SFG's Code shall be furnished to any client upon request.

SFG's Code is available to clients and prospective clients at no charge upon request directed to:

Sowa Financial Group, Inc.
24 Albion Road, Suite340
Lincoln, RI 02865
Telephone: (401) 434.8090
team@sowafinancial.com

B. Transaction Guidelines. SFG has also adopted its Guidelines for Personal Transactions and Prevention of Misuse of Material Non-Public Information (“Transaction Guidelines”), which, along with the Code, imposes restrictions and reporting requirements on its officers, directors and employees when effecting transactions for themselves or their accounts in securities recommended to clients and cautions against misuse of material non-public information.

C. Buys and Sells Securities for Own Account. During the normal course of business, SFG’s employees and related persons (“Personnel and Related Persons”) may also be clients of SFG and, therefore, may purchase and sell securities that may also be recommended by SFG to clients. As indicated in Item 11.B above, SFG has adopted Transaction Guidelines and a Code of Ethics related to such purchases/sales by such SFG Personnel and Personnel’s Related Persons. SFG Personnel and Personnel’s Related Persons may not typically invest in any securities as a co-investor with any client, except with respect to mutual funds and/or fund families, and certain widely held securities, and as set forth with the Transaction Guidelines. SFG requires its employees wishing to buy or sell any publicly-traded security, other than mutual funds and other excepted securities as set forth within the Transaction Guidelines, to follow the “last-in” and “last-out” rule for the trading day when the trade occurs in close proximity to the client trade or wait until at least one business day after the client has established his position or declined to act before purchasing or selling the security for their account (incidental trading which is minimal in relation to the total outstanding value, and as such would have a negligible effect on the market price, are typically not subject to the foregoing restriction).

SFG will use its best efforts to cause its employees not to: (i) induce or cause a client's account to take action, or to fail to take action for the purpose of achieving a personal benefit or benefit for Related Persons rather than to benefit the accounts of its clients (e.g., causing a client's account to purchase a security owned by the SFG's employee for the sole purpose of supporting or driving up the price of the security, or causing the client's account to refrain from selling a security in an attempt to protect the position of an investment of the SFG’s employee or that of a Related Person) and (ii) use knowledge of transactions in a client's account solely to profit to the detriment of the client's account by the market effect of such transactions.

SFG’s employees may also be clients of SFG. It is generally the policy of SFG not to favor any one client over another in making advisory recommendations, subject to the suitability of those recommendations to an individual client and the specified investment objectives of a client. Subject to the guidelines referred to above, SFG and/or its employees may take investment action contemporaneously with or at different times from investment action recommended on behalf of one client and such investment action may be similar to or different from investment action (as to the advice given or the timing or nature of action) on behalf of another client.

Item 12. Brokerage Practices

A. Factors Used to Select Custodians and/or Broker/Dealers. To preserve Best Execution for clients, SFG may consider the value of research reports, performance evaluation software, reporting tools, economic analysis and other types of products and services in selecting broker-dealers to recommend to clients. Amongst other considerations, SFG will consider the following factors in this determination: price, execution, value of products, research and service

and reliability.

SFG periodically reviews custodian fees, brokerage commissions and qualification compared to the value added. Review shall bring attention to factors including, but not limited to, block trades, access to market supply, timely execution and the value and accuracy of research, portfolio accounting, and client reports. These reviews, evaluations, research products and services are generally used for most, but not all, client accounts.

SFG Advisers, in their capacities as registered representatives of Commonwealth, are subject to both contractual undertakings with Commonwealth and regulatory requirements to execute all securities trades through Commonwealth. Client transactions will be charged according to Commonwealth's then-current commission schedule and clients may pay higher or lower commission rates and other fees than otherwise available if the transactions were executed at other broker-dealers. The client may be assessed transaction fees charged by custodians and/or product sponsors, in addition to normal and customary commissions, all of which are fully disclosed to the client. These fees and expenses are separate and distinct from any fee(s) charged by SFG. This additional compensation received by Commonwealth creates a conflict of interest. Additionally, by using Commonwealth as the broker/dealer for SFG's managed account program(s), SFG may be unable to achieve most favorable execution of client transactions, which may cost clients more money. SFG attempts to mitigate this conflict of interest by engaging in a regular review of our relationship with Commonwealth to ensure that the costs incurred are reasonable in comparison to industry norms, and by advising our clients that you are not obligated to open an account with SFG or Commonwealth; you may open an account and implement advice provided by SFG with the firm of your choice.

Our clients do not generally have the option to direct securities brokerage transactions to other broker/dealers or other account custodians. If, however, a client should request, and Commonwealth approve, the use of a broker/dealer other than NFS or Pershing for securities transaction execution, the client should be aware that SFG will generally be unable to negotiate commissions or other fees and charges for the client's account, and SFG would not be able to combine the client's transactions with those of other clients purchasing or selling the same securities ("batched trades"), as discussed further below. As a result, SFG would be unable to ensure that the client receives "best execution" with respect to such directed trades. SFG may also be unable to provide timely monitoring of transaction activity or provide the client with quarterly performance reporting.

1. Research and Other Soft-Dollar Benefits. SFG may use information received from investment professionals and receive assistance in providing informational seminars. Commonwealth offers SFG and SFG Advisers, in their capacities as registered representatives of Commonwealth, one or more forms of financial benefits based on the total assets under management invested through Commonwealth and/or invested in the Commonwealth PPS Select wrap fee program. The types of financial benefits that SFG Advisers, in their capacities as registered representatives of Commonwealth, may receive from Commonwealth include, but are not limited to, forgivable or unforgivable loans, enhanced payouts, and discounts or waivers on transaction, platform, and account fees; technology fees; research package fees; financial planning software fees; administrative fees; brokerage account fees; account transfer fees; and the cost of attending conferences and events. The enhanced payouts, discounts, and other

forms of financial benefits that SFG Advisers, in their capacities as registered representatives of Commonwealth, may receive from Commonwealth are a conflict of interest, and provide a financial incentive for SFG Advisers to select Commonwealth as broker/dealer for client accounts over other broker/dealers from which they may not receive similar financial benefits. SFG attempts to mitigate this conflict of interest by disclosing the conflict in this brochure and engaging in a regular on-going review of SFG's and SFG's Advisers' relationship with Commonwealth to ensure the relationship continues to be appropriate in all respects for SFG's clients.

2. Brokerage for Client Referrals. SFG receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

3. Clients Directing Which Broker/Dealer/Custodian to Use.

Based upon SFG's periodic Best Execution review, SFG currently recommends the use of Commonwealth as the broker-dealer and may recommend clients to invest in the Commonwealth PPS Select wrap fee program. Clients should note that they are under no obligation to purchase securities through SFG Advisers or Commonwealth. However, if the client wishes to implement the advice through SFG Advisers, then the broker-dealer used must be Commonwealth. Although the client is under no obligation to choose Commonwealth and may designate another broker, given that all SFG Advisers are registered representatives of Commonwealth, any client use of another broker dealer may subject SFG Advisers in their capacities as Commonwealth registered representatives to additional requirements and restrictions, if not prohibitions, given the contractual, or other, requirements imposed by Commonwealth. Not all investment advisers recommend clients to execute transactions through a specified broker dealer. As noted in [Items 10.C.1.](#) and [12.A.](#) above, SFG Advisers may receive compensation for their activities as registered representatives of Commonwealth. Clients may be able to obtain comparable services provided by and/or through others for lower fees.

B. Aggregating (Block) Trading for Multiple Client Accounts.

Advisory recommendations and/or strategies may or may not vary among clients, notwithstanding similar investment objectives, risk tolerances and/or other factors. No assurance can be given about the ultimate results or success of any investment or insurance recommendation or strategy. The client is encouraged to review all investment-related topics, together with SFG's recommendations, with counsel, accountants and/or other advisers before implementing any SFG recommendation.

As SFG generally manages client's accounts independently of one another based on each client's stated specific needs and objectives, transactions for each client account are generally executed independently. However, in some instances, when SFG advisor(s) may believe it is appropriate or beneficial to the client to do so, SFG may aggregate the purchase or sale of multiple clients' securities together to facilitate best execution, reduce overall brokerage commissions or other costs, or provide each client with the same execution price. In any event, SFG shall not receive any additional compensation or remuneration as a result of any such aggregation of transaction.

To the extent transactions are aggregated, transactions will be batched in a manner designed to ensure that no participating client obtains a more favorable execution price over any other client and shall be implemented in a manner so as to not disadvantage the interests of any client. When SFG may aggregate multiple client orders, transaction costs will be allocated pro rata to the

participating client accounts in proportion to the size of the order placed for each account. SFG may, however, in some instances, increase or decrease the amount of securities allocated to each account, if necessary, to avoid holding odd lot or small numbers of shares for particular clients. Additionally, if SFG is unable to fully execute a batched transaction and SFG determines that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro rata basis, SFG may allocate such securities in a manner determined in good faith to be fair and equitable to the clients involved.

C. Core Account Sweep Programs (“CASPs”)

The Core Account Sweep Programs (“Program(s)”) are the core account investment vehicles for eligible accounts used to hold cash balances while awaiting reinvestment. The Bank Deposit Sweep Program (“BDSP”) is the core account investment vehicle for eligible brokerage accounts and advisory non-retirement accounts. The Advisory Retirement Sweep Program (“ARSP”) is the core account investment vehicle for eligible advisory retirement accounts. The cash balance in your eligible accounts will be deposited automatically or “swept” into interest-bearing FDIC-insurance eligible Program deposit accounts (“Deposit Accounts”) at one or more FDIC-insured financial institutions (“Program Banks”). The interest rates for your Deposit Accounts may be obtained from SFG, your advisor, or at www.commonwealth.com/clients/deposit-sweep-program.aspx. Specific features and account eligibility of CASP are further explained in the Disclosure Document provided to clients that participate in CASP. A current version of the CASP Disclosure Document is available at www.commonwealth.com/clients/media/BankSweepDisclosureDocument.pdf.

Clients should note that, though the default options for cash held in accounts are the core account investment vehicles, clients may at any time seek higher yields in other available investment options.

Commonwealth receives fees for its services in administering CASP, as described below, and these fees create conflicts of interest and substantial financial benefits for Commonwealth. For example, the fees paid to Commonwealth for CASP reduce the interest rate paid to clients on their cash balances. The fee revenue generated by Commonwealth for one sweep option will vary compared with revenues generated for other sweep options or possible core account investment vehicles that we have used in the past or may consider using in the future. The Programs are generally more profitable to Commonwealth than other available sweep options, if any. Advisors do not receive any of the fees received by Commonwealth. Depending on interest rates and other market factors, the yields you receive on CASP may be lower than the aggregate fees received by Commonwealth for your participation in the CASP. In addition, Commonwealth financially benefits from the possession and temporary investment of cash balances prior to the deposit of such balances in a core account investment vehicle.

In addition to the CASP fees described below, advisory accounts are charged investment advisory fees based on the assets held in and services offered to advisory accounts. Except as may be agreed between you and your Advisor, cash balances in CASP, from which Commonwealth receives fees that reduce the interest rate paid to you on your cash balances, are included in the value of account assets Commonwealth uses to calculate the management fees and other asset-based fees charged to your advisory accounts.

The Program Banks use Program Deposits to fund current and new lending and for investment activities. The Program Banks earn net income from the difference between the interest they pay on Program Deposits and the fees paid to us and the income they earn on loans, investments, and other assets. As noted above, the Program Banks may pay rates of interest on Program Deposits that are lower than prevailing market interest rates that have been paid on accounts otherwise opened directly with the Program Bank. Program Banks do not have a duty to provide the highest rates available and may instead seek to pay a low rate. Lower rates will be more financially beneficial to a Program Bank. There is no necessary linkage between bank rates of interest and the highest rates available in the market, including any money market mutual fund rates. By comparison, a money market mutual fund generally seeks to achieve the highest rate of return (less fees and expenses) consistent with the money market mutual fund's investment objective, which can be found in the fund's prospectus.

BDSP. The Program creates substantial financial benefits for Commonwealth because Commonwealth receives a fee from each Program Bank in connection with the Program (equal to a percentage of all participants' average daily deposits at the Program Banks). Prior to June 9, 2023, amounts will vary but in no event will they be more than 2.5% on an annualized basis (trailing 12 months) as applied across all Deposit Accounts in BDSP. Effective June 9, 2023, amounts will vary but in no event will they be more than an amount equal to the Fed Funds Effective Rate (FFER) plus 25 basis points (bps) on an annual basis (trailing 12 months) across all Deposit Accounts in BDSP. At its discretion, Commonwealth may reduce or raise fees and vary the amount of the reductions between clients based on market conditions. Although the fees vary from Program Bank to Program Bank, the Program pools all fees in an effort to treat clients equally, regardless of in which individual bank clients' funds may be deposited. The fee amount received will reduce the interest rate paid to clients by the Program Bank. Commonwealth reserves the right to modify the fees Commonwealth receives from Program Banks. From time to time, if the fee increases, you will receive notification of any such change. In addition to our fees, the program administrator will receive fees from each Program Bank (collectively, with the fees paid to us and/or NFS, "Program Fees").

ARSP. Commonwealth receives fees for services in connection with maintaining and administering ARSP, and therefore, ARSP provides substantial financial benefits to Commonwealth. The account interest received will be the net of the gross interest paid by the Program Banks, less the fees paid to the Program administrator, NFS, and Commonwealth.

ARSP – Commonwealth Fees. Commonwealth's fees are based on a fixed formula and vary based on factors such as the Federal Funds Effective Rate ("FFER"), total assets in advisory accounts participating in ARSP, and the number of accounts in ARSP. Commonwealth's fee will be the sum of two fees: (i) a variable fee ("Variable Fee"), and (ii) a per-account fee ("Account Fee").

ARSP - Variable Fee. The Variable Fee is calculated according to a formula that is based on a variable fee rate ("Variable Fee Rate") applied to a fixed representation (4%) of cash balances ("Representative Amount") of total assets in accounts participating in ARSP. The Variable Fee Rate is based on FFER. When FFER is 1%, the Variable Fee Rate is 95 basis points. As FFER increases above 1%, the Variable Fee Rate is 95 basis points plus 30% of the change in the underlying market interest rate as measured by FFER. When FFER declines below 1%, the

Variable Fee Rate is 95 basis points minus the percentage point difference between 1% and FFER. The minimum Variable Fee Rate applied is 15 basis points (0.15%). Commonwealth reserves the right to temporarily reduce or waive this minimum variable fee at any time. Prior to June 9, 2023, amounts will vary, but in no event will the Variable Fee be more than an average of 2.5 % the Representative Amount on an annualized basis (trailing 12 month). . Effective June 9, 2023, amounts will vary, but in no event will they be more than an amount equal to FFER plus 25 basis points on an annual basis (trailing 12 months) across the Representative Amount. This maximum Variable Fee does not include the Account Fee. Commonwealth's fees under ARSP are not affected by the actual amounts held in the Deposit Accounts but will vary with the FFER. The current FFER can be found at www.federalreserve.gov/monetarypolicy/openmarket.htm.

ARSP - Account Fee. The Account Fee is \$1 per account each month and applied when the average monthly FFER from the prior month exceeds 1.10%.

Ineligible Accounts. Certain Fidelity money market funds and, in limited instances interest bearing cash sweeps, serve as the core account investment vehicle for ineligible accounts. New accounts opened at Commonwealth will be invested in the Fidelity Government Money Market Fund (SPAXX). Accounts that were opened before SPAXX was the core investment vehicle are invested in other Fidelity money market funds., additional compensation from Fidelity based on the average fund balances held in these money market funds. For information about a money market mutual fund, including interest rates and yield, all charges and expenses, investment objectives, and risks, refer to the fund's prospectus. Read the prospectus carefully before you invest or send money.

Alternatives to Core Account Investment Vehicles. Commonwealth is not obligated to offer you any core account investment options or to make available to you CASP investments that offer a rate of return that is equal to or greater than other comparable investments. If you do not want to participate in a Program, or for ineligible accounts the designated core investment vehicle, you may give your advisor direction to invest your funds in other investments available through SFG. Unlike using a core investment option, cash balances in your advisory accounts will not automatically sweep into these other investments. Therefore, any cash in an account will be held in a core investment option until instructions have been given to your advisor to invest your funds in other investments available through SFG.

NTF Program

Additionally, NFS offers an NTF program composed of no-load mutual funds. Participating mutual fund sponsors pay a fee to NFS to participate in this program, and a portion of this fee is shared with Commonwealth. None of these additional payments is paid to SFG or any advisors who sell these funds. NTF mutual funds may be purchased within an investment advisory account at no charge to the client. Clients, however, should be aware that funds available through the NTF program often contain higher internal expenses than mutual funds that do not participate in the NTF program. Commonwealth's receipt of a portion of the fees associated with the NTF program creates a conflict of interest because Commonwealth has an incentive to make available those products that provide such compensation to NFS and Commonwealth over those mutual fund sponsors that do not make such payments to NFS and Commonwealth. While SFG does not receive

additional compensation from NFS or Commonwealth based on the particular investment (potentially including one or more NTF funds), SFG's menu of investment options is limited to investments made available by Commonwealth. Thus, clients may be impacted by the conflict of interest previously described in this paragraph. As stated previously, SFG regularly evaluates our relationship with Commonwealth to ensure it remains appropriate for the firm and our clients.

The investment advisory services provided by SFG may cost the client more or less than purchasing similar services separately. Clients should consider whether the appointment of Commonwealth as the sole broker/dealer may result in certain costs or disadvantages to the client as a result of possibly less favorable executions. Factors to consider include the type and size of the account and the client's historical and expected account size or number of trades.

Item 13. Review of Accounts

A. Client Intake Process

1. Client Input. Clients must provide accurate and complete information identifying client's investment objectives, risk tolerance and investment restrictions, if any, and other like information. SFG or its Advisers shall contact the client not less than annually to determine whether any changes need to be implemented. It is the client's responsibility directly or through his/her/its SFG Adviser, however, to promptly notify SFG if the client wishes to change his/her/their previously identified investment objective(s) and/or strategy. SFG and its Advisers are available to clients during business hours for consultation regarding their accounts.

2. Reviews.

(a) Periodic Reviews. Each Investment Advisory Service account is reviewed on a periodic basis by the client's SFG Adviser to determine that the investments are in line with client's identified objectives and that investment guidelines and account restrictions are being followed. The SFG Adviser monitors and reviews clients' accounts to determine the appropriateness of the portfolio weightings, whether the account is presently meeting performance and investment objectives by individual securities, and whether then-prevailing economic conditions and market trends are appropriately reflected in investment models and strategies. SFG contacts clients from time to time, regarding the market and possible opportunities. SFG generally discusses changes in investment strategies with the client before effecting any changes and encourages clients to contact SFG with questions and/or comments and any changes to the client's financial situations, goals and objectives. SFG also encourages meetings between clients and SFG Advisers to review the clients' portfolio, no less frequently than annually.

(b) Client Initiated Reviews. All accounts receiving Investment Advisory Services are also reviewed whenever the client communicates to their SFG Adviser a preference for an alternative investment strategy or the occurrence of some event or change in circumstances that would serve to alter the client's investment objectives.

(c) Reports. The client's SFG Adviser distributes quarterly reports illustrating performance, sector allocation, gains, benchmarking, and other investment tracking criteria. The

client is urged to compare the information included in this report sent by SFG against the account information set forth in the statements sent by the qualified custodian discussed in [Item 15](#) below.

3. INVESTMENT ADVISORY AGREEMENT

(a) **Termination.** The client has the right to terminate the Investment Advisory Agreement in its entirety, exercisable at the client's sole option and without penalty or SFG charge, for five business days from the date of the client's signing the Investment Advisory Agreement. Further, SFG or the client may terminate that Agreement at any time by providing notice of such election to the other party, and termination will become effective upon receipt of such written notice. The Investment Advisory Agreement will terminate automatically upon the receipt by SFG of legal notice of the death of the client, together with notice of termination by legal representative of deceased. While SFG advisory fees are charged in arrears, in any instance in which fees may be prepaid prior to SFG providing services rendered in connection therewith, such prepaid fees, if any are refundable in full (or, as the case may be, in proportion to the amount of unused services) upon the client's cancellation of the Investment Advisory Agreement. The client is not entitled to refunds of commissions and other like charges paid in connection with the execution of securities transactions.

(b) **Dispute Resolution/Arbitration** To the fullest extent permitted by law, any controversy arising out of or relating to the client and its transactions with SFG and the Investment Advisory Agreement, or breach thereof shall be settled by arbitration, in accordance with the rules then in effect of the Financial Industry Regulatory Authority ("FINRA") or any successor or similar arbitration organization authorized under the Agreement or applicable laws to hear the dispute. The client reserves the right to choose the location in which arbitration proceedings may be held. Judgment upon any award rendered by the arbitrators is final and binding and may be entered in any court having jurisdiction thereof.

The agreement to arbitrate may not be deemed enforceable under federal and/or state securities laws. To the extent the arbitration agreement is deemed otherwise enforceable, it shall not constitute a waiver of any of the client's rights, to the extent such rights are deemed un-waivable under federal and/or state securities laws, including the right to choose the forum, whether arbitration or adjudication, in which to seek resolution of disputes. Client should note that federal and state laws impose liability under certain circumstances for persons acting in good faith and without regard to any allegation of negligence or willful malfeasance therefore noting in the Advisory Agreement, express or implied, shall in any way constitute a waiver or limitation of any rights that the client may have under federal or state securities laws.

(c) **Agreement Review.** All SFG clients are encouraged and urged to review all of the above before executing an agreement with SFG with tax, accounting, legal, financial and such other advisor(s) as s/he deems appropriate.

Item 14. Client Referrals and Other Compensation

SFG does not accept any 12b-1 fees or trailing commissions, which could be derived from the placement of the client's assets in mutual funds and/or certain variable annuities, from investment advisory accounts. To the extent that any such 12b-1 and/or trailing fees are or have been assessed

to any investment advisory accounts, SFG shall credit back any and all such fees to the client. As previously noted, when commissions or fees are received by SFG or SFG Advisers in connection with the advice given to advisory clients, SFG may, but is not obligated to, reduce its fee proportionate to the amount of the commission or fee earned by SFG or SFG Advisers. However, clients should note that they are under no obligation to purchase any investment products through SFG or SFG Advisers. See Items 1.C and D, 6, 7.A.B and C, 8.C and 9.B above.

Item 15. Custody

Neither SFG nor SFG Advisers are authorized to take physical custody of a client's assets, securities, cash (other than financial planning fees) or other property. All clients' securities and property should be forwarded directly to the qualified custodian, National Financial Services, LLC ("NFS") prior to close of business on the day of receipt.

Physical custody and clearing services for accounts are provided by NFS, an affiliate of Fidelity Management Trust Company, Inc. Commonwealth and/or NFS may charge transaction, ticket and/or other charges that the client can review with their Commonwealth registered representative. Upon opening a custodial account with NFS or any other qualified custodian for client accounts, SFG shall provide the client with notice of the name and address of the qualified custodian identifying the manner in which the client's funds are held. SFG shall also provide notice to the client upon any change to this information.

While SFG does not take physical custody of client funds or securities, SFG may have custody over client assets where the client has executed a third-party Standing Letter of Authority ("SLOA"). By executing a SLOA, the client provides instructions to the qualified custodian for the client's account, namely NFS, authorizing the client's SFG representative in their capacity as a registered representative of Commonwealth to direct funds from the client's account(s) to another client account(s) or other client-authorized third party. Pursuant to guidance from the SEC, with regard to SLOAs, SFG follows the following safeguards:

- By executing the SLOA, the client provides written instruction to the qualified custodian, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- By executing the SLOA, the client provides written authorization either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client's qualified custodian shall perform appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
- The client retains the ability to terminate or change the instruction on the SLOA to the client's qualified custodian.
- SFG has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- SFG maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.

- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

As a result of the foregoing, SFG meets the criteria for exemption from the SEC's annual surprise accounting audit requirement as described in the SEC guidance on Section 206(4)-2 of the Investment Advisers Act of 1940, issued February 21, 2017.

Additionally, with client authorization in the Investment Advisory Agreement, SFG instructs the qualified custodian as to the fees to be deducted directly from client's account, as evidenced by a statement, (forwarded to the client and the custodian at the same time) showing the amount of fees, the value of the assets in the account on which the fees were based, and the manner in which the fees were calculated. Further, the custodian, not SFG, will send to the client a statement at least quarterly, indicating the amount of funds held in the client's account and identifying the securities in each account at the end of the quarter, and set forth all transactions in the account during the period, including noting all amounts disbursed from the account, including fees paid to SFG. The client will be responsible for verifying the accuracy of the fee calculation as the custodian will not determine if the fee is calculated correctly. The client is urged to compare the information included in any statements sent by SFG against those sent by the qualified custodian.

Neither SFG nor SFG Advisers are otherwise authorized to take physical custody of a client's assets, securities, cash or other property. All clients' securities and property should be forwarded directly to the client or the qualified custodian, customarily NFS.

Item 16. Investment Discretion

SFG offers clients Investment Advisory services under which clients authorize and grant SFG discretionary authority over their accounts. For clients who grant discretionary authority to SFG, assets are managed in each individual client's account according to such client's stated goals and objectives and any reasonable restrictions placed on the account by the client, as set forth in the client's Investment Advisory Agreement, or as amended by the client from time to time. For client accounts utilizing this service, SFG may have discretion to handle the day-to-day investment management of the client account(s).

Pursuant to the Investment Advisory Agreement, clients grant SFG the authority to manage the assets in their Accounts on a fully discretionary basis. The grant of discretionary authority to SFG includes, but is not limited to the authority:

- to take any and all actions on the client's behalf that SFG determines to be customary or appropriate for a discretionary investment adviser to perform, including the authority to buy, sell, select, remove and replace securities and investments for the Account, and to determine the portion of assets in the Account to be allocated to each investment or asset class and to change such allocations;
- to designate the broker-dealers or others with which transactions for the account will be effected;
- to retain and replace, or not, any person providing investment advice,

securities recommendations, model portfolios or other services to SFG, as deemed appropriate by SFG, from time to time; and

- with regard to the Investment Advisory Agreement, to retain and replace any investment adviser representative providing services on behalf of SFG, as deemed appropriate by SFG.

SFG and SFG's Advisers, in the execution of their discretionary authority over Investment Advisory Services client accounts pursuant to a grant of discretionary authority from clients in the Investment Advisory Agreement, may exercise discretion to determine which securities are to be purchased or sold in a client's account, the amount of securities to be purchased or sold, whether the securities are to be purchased or sold, which broker-dealer or other account custodian(s) are to be engaged by clients, or the commission rates/sales charges to be paid by clients. SFG's exercise of discretionary authority over accounts shall be managed on the basis of that client's identified financial situation and investment objectives and consistent with any reasonable restrictions imposed by the client, as shall be provided by clients to SFG from time to time. The client, under the Investment Advisory Agreement, authorizes SFG to issue broker instructions to the client's broker-dealer. If a third-party program is selected, client account(s) may be subject to such applicable program's disclosure statement(s).

Item 17. Voting Client Securities

SFG does not vote client proxies. Therefore, although SFG may provide investment advisory services relative to client investment assets, SFG's clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

SFG and/or the client shall correspondingly instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

Item 18. Financial Information

A. Balance Sheet

SFG does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients

Neither SFG nor its management has any financial conditions that SFG believes may be likely to reasonably impair its ability to meet contractual commitments to clients.

C. Bankruptcy Petitions in Previous Ten Years

SFG has not been the subject of a bankruptcy petition in the last ten years.