

**Sowa Financial Group, Inc.**

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



**WELCOME to  
SOWA Financial Group, Inc.**

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**DISCLOSURE BROCHURE  
March 30, 2020**

*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](http://www.adviserinfo.sec.gov).

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## 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 30, 2020:

- *Item 4, Section E has been updated to reflect SFG's asset under management.*

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  
E-Mail: [team@sowafinancial.com](mailto:team@sowafinancial.com)  
[www.sowafinancial.com](http://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](http://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**

##### **I. 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.

##### **A. 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<sup>TM\*</sup> 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<sup>®†</sup> (or AIF®) professional designation from Fiduciary360, through which he has received

<sup>\*</sup> 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.

<sup>†</sup> 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

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

## **B. 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;
- Financial Planning Services; and
- Investment Recommendation Services.

Each of these services is more fully described immediately below.

## **II. 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

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*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.*

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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 20% 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 40% 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 60% 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 80% of its assets in equities/stocks/alternative investments, with the remainder in fixed- income/bonds/cash. It is anticipated that such a

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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. Custody and clearing services for accounts are provided with NFS, an affiliate of Fidelity Management Trust Company, Inc., as further described in Item 15.

**III. FINANCIAL PLANNING SERVICES**

**1. General.** In addition to, or instead of, Investment Advisory Services above, clients may, choose SFG's Financial Planning Services or Investment Recommendation 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 discrete 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

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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.II immediately above and thereby becomes an Investment Advisory Services client. Alternatively, the client may elect to receive Investment Recommendation Services under Item 4.IV immediately below.

#### **IV. INVESTMENT RECOMMENDATION SERVICES**

SFG offers a separate service only upon specific request of clients who do not want on-going investment advisory services or do not meet minimum portfolio requirements for its Investment Advisory Services (See Item 4.II above) or financial planning (See Item 4.III immediately above), but who seek SFG's recommendations as to specific questions the client may have regarding potential investments, review of portfolio holdings in a client annuity or other vehicle or otherwise, over which SFG has no management or control. Clients thereafter then determine whether or not to implement any SFG recommendations, not using SFG or any SFG Adviser. Investment Recommendation Services are not intended for clients seeking transaction-based services or ongoing investment management services, but rather for certain limited, one-time questions. Clients are encouraged and urged to review any SFG recommendation services with their tax, accounting, legal, financial and such other professional(s) as s/he deems appropriate prior to implementation.

#### **C. 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 client profile to ensure the restriction is honored. Clients must provide and update accurate and complete information identifying client's investment objectives, risk tolerance and investment restrictions,

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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.

#### **D. Wrap Fee Programs.**

SFG offers investment advisory services as portfolio manager for clients, selecting this service, 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 disclosures for the PPS Select Program, and the clients shall enter into a Program Client Agreement with Commonwealth as the wrap fee program sponsor.

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.

#### **E. Assets Under Management**

As of December 31, 2019, SFG has the following assets under management:

	<u>Non-Discretionary</u>	<u>Discretionary</u>	<u>TOTAL</u>
Assets:	\$0	\$285,129,137	\$285,129,137

#### **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.II 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).



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(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	1.25%
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:

The client shall be charged

- 1.25% 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

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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 Investment Recommendation Service Clients. Existing clients not wishing to convert to the Investment Advisory Service program may continue to use solely the Financial Planning Service or services under the Investment Recommendation Service method, each as described above.

(iii) Wrap Fee. For clients investing in the PPS Select wrap fee program sponsored by Commonwealth, SFG, as the portfolio manager shall receive the applicable percentage of the Commonwealth management fee charged by Commonwealth to the client under the applicable Program Client Agreement. SFG's advisory fee shall be charged to client accounts by Commonwealth as described in the Program Client Agreement between clients and Commonwealth. The advisory fee paid by Commonwealth to SFG is 0.75% of the client's assets under management in the PPS Program. The administrative fee charged by Commonwealth to the client is an additional 0.25% of the clients' assets under management, for a total annual percentage fee of 1% of assets under management.

(c) Flat Fee. Clients may also engage SFG for Financial Planning Services and/or Investment Recommendation Services, and will be charged a flat fee for such services, as further described in Sections 5.II and 5.III 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 by a 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. Other Fee Information.

(a) 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.

(b) Possible Availability of Lower Percentages. Clients may be able to obtain comparable services provided by and/or through others for lower percentages.

(c) 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

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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.

(d) **Commonwealth Retention.** Commonwealth retains ten (10%) percent of the total advisory fee for its advisory administrative services (i.e. trade execution, billing, research) pursuant to a contractual agreement between Commonwealth and each SFG Adviser who is a Commonwealth registered representative.

(e) **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.III above) are based on a Flat Fee which generally ranges from between \$650 and \$2,500, 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

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and evidenced by a 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. **INVESTMENT RECOMMENDATION SERVICES COMPENSATION**

(a) **Generally.** Fees for Investment Recommendation Services (described in Item 4.IV) may be charged as a fixed or other fee as may be agreed in writing signed by clients and SFG. SFG's Advisers, from time to time, solely in their capacities as registered representatives of Commonwealth, may receive compensation in the form of commissions and/or sales charges in connection with the purchase and/or sale of securities in the portfolio that may be transacted at the client's election based upon the advice provided through the Investment Recommendation Services option. Clients requesting recommendations only, from time to time, will be charged a flat rate, or such other compensation as is mutually agreed by the parties.

### IV. **ADDITIONAL COSTS & CONSIDERATIONS**

In addition to the compensation paid to SFG under the above options, 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

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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 advisor 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.

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## 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
- Corporations and other Business Entities

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 by certain clients of SFG.

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

### A. 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 (i.e, CNBC, CNN/Money, Bloomberg, and related outlets), reviews periodic publications and recommendations from broker-dealers, other investment professionals and other investment advisers and reviews publications and online services (i.e., Morningstar, the Wall Street Journal, Forbes, Fortune, etc.) to aid in the evaluation

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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. 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.

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**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.**

### **C. 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. Indeed, certain of SFG's clients may be participants in the Boston Capital Tax Credit Program.

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.

**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



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SFG, sell products or services other than investment advice (e.g., Investment Advisory Service, Financial Planning Service and Investment Recommendation Service 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.

Moreover, Donald J. Sowa is a designated Office of Supervisory Jurisdiction for Commonwealth. 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.

**2. Other Investment Adviser.** While SFG does not consider Commonwealth a related person of SFG, one SFG Adviser, Donna Sowa Allard, is also an investment adviser representatives of Commonwealth. Commonwealth is an investment adviser registered with the Securities and Exchange Commission. Mrs. 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

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Item 5.I. above.

**3. Investment Company.** While SFG does not have a related person who is an investment company, certain mutual funds 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.

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**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 of SFG’s 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.  
14 Breakneck Hill Road, Suite 202  
Lincoln, RI 02865  
Telephone: (401)434.8090  
[team@sowafinancial.com](mailto: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

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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.

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

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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.

1. **Research and Other Soft-Dollar Benefits.** SFG may use information received from investment professionals and receive assistance in providing informational seminars.

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 client to execute transactions through a specified broker dealer. As noted in Items 10.C1 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'

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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.

### **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 client not less than annually to determine whether any changes need to be implemented. It is client's responsibility directly or through his/her/its SFG Adviser, however, to promptly notify SFG if client wishes to change his/her/its 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 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 client's SFG Adviser a preference

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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.** Client has the right to terminate the Investment Advisory Agreement in its entirety, exercisable at client's sole option and without penalty or SFG charge, for five business days from the date of client's signing the Investment Advisory Agreement. Further, SFG or 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 client's cancellation of the Investment Advisory Agreement. 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 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. 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 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.

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#### **Item 14. Client Referrals and Other Compensation**

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

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 client can review with client's Commonwealth registered representative. Upon opening 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, 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.



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#### **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 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 or to exercise of any proxy. 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. 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:

ADV Part 2A <b>Sowa Financial Group, Inc.</b>	IRS Empl. Ident. No.:  <b>05-0509395</b>	SEC File Number:  <b>801-43008</b>	Date:  <b>03/30/2020</b>
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(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.