

**Form ADV Part 2A: *Firm Brochure***

**Item 1 – Cover Page**

**FWG Investments, LLC**

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Lexington, Kentucky 40509

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<http://www.thefamilywealthgroup.com>

Date of Disclosure Brochure: May 27, 2020

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This disclosure brochure provides information about the qualifications and business practices of FWG Investments, LLC (also referred to as we, us and FWG Investments throughout this disclosure brochure). If you have any questions about the contents of this disclosure brochure, please contact Paul Metzler at 859-309-0349 or [paul@familywg.com](mailto:paul@familywg.com). The information in this disclosure brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about FWG Investments is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for FWG Investments, LLC or our firm's CRD number 284064.

\*Registration as an investment adviser does not imply a certain level of skill or training.

## Item 2 – Material Changes

We have previously provided you with our narrative Firm Brochure Form ADV 2A Brochure. Our Firm Brochure describes our firm's advisory services, investment processes, fees, affiliations, conflicts and other information. Our purpose here is to inform you about material changes at our firm since our March 2020 Disclosure:

- The Kentucky Department of Financial Institutions ("DFI") after a routine compliance examination of FWG Investments opened a formal investigation into FWG Investments' investment-related activities on June 26, 2018. DFI and FWG Investments entered into a Partial Agreed Order on April 30, 2020 (the "FWG Order") to resolve the matter without litigation or other adversary proceedings and without FWG Investments admitting liability. Please see Item 9 for more details.

We will ensure that you receive a summary of any material changes to this and subsequent disclosure brochures within 120 days after our firm's fiscal year ends. Our firm's fiscal year ends on December 31, so you will receive the summary of material changes no later than April 30 each year. At that time, we will also offer or provide a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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## **Item 4 – Advisory Business**

FWG Investments is a registered investment adviser with its principal place of business in Lexington, Kentucky.

- G. Kevin Metzler is the Managing Member of FWG Investments. G. Kevin Metzler owns 100.00% of FWG Investments. Full details of the education and business background of G. Kevin Metzler are provided at *Item 19* of this Disclosure Brochure.
- FWG Investments filed its initial application to become registered as an investment adviser in July 2016.

### **Introduction**

The investment advisory services of FWG Investments are provided to you through an appropriately licensed and qualified individual who is an investment adviser representative of FWG Investments (referred to as your investment adviser representative throughout this brochure).

### **Description of Advisory Services**

The following are descriptions of the primary advisory services of FWG Investments. Please understand that a written agreement, which details the exact terms of the service, must be signed by you and FWG Investments before we can provide you the services described below.

**Financial Planning Services** - FWG Investments offers financial planning services, which involve preparing a written financial plan covering specific or multiple topics. We provide full written financial plans, which typically address the following topics:

- Investment Planning,
- Retirement Planning,
- Insurance Planning,
- Tax Planning,
- Education Planning,
- Portfolio Reviews,
- Asset Allocation, and
- Real Estate Planning.

When providing financial planning services, the role of your investment adviser representative is to find ways to help you understand your overall financial situation and help you set financial objectives. We also provide modular written financial plans which only cover those specific areas of concern mutually agreed upon by you and us. A modular written financial plan is limited or segmented and does not involve the creation of a full written financial plan. You should be aware that there are important issues that may not be taken into consideration when your investment adviser representative develops his or her analysis and recommendations under a modular written financial plan.

FWG Investments has entered into an agreement with AE Wealth Management, LLC ("AE Wealth Management"), an SEC registered investment advisor, to utilize the financial planning tools, software programs and services that may be available. AE Wealth Management can help us in a sub-adviser capacity to develop specific financial planning strategies and plans customized to your individual needs.

Our financial planning services do not involve implementing any transaction on your behalf or the active and ongoing monitoring or management of your investments or accounts. You have the sole responsibility for determining whether to implement our financial planning recommendations. To the extent that you would like to implement any of our investment recommendations through FWG Investments or retain FWG Investments to actively monitor and manage your investments, you must execute a separate written agreement with FWG Investments for our asset management services.

**Asset Management Services through AE Wealth Management Platform** – FWG Investments has entered into an agreement with AE Wealth Management, LLC (“AE Wealth Management”), an SEC registered investment advisor, to provide investment advisory services to clients through the AE Wealth Management Wrap Fee Program (“Program”). The Program is a wrap-fee program sponsored by AE Wealth Management. The Program provides clients with the opportunity to establish mutual fund portfolios, separate account portfolios and unified managed account portfolios developed by both FWG Investments and also by third party investment managers who are registered as investment advisors (collectively referred to as “Model-Managers”). Through the Program, AE Wealth Management provides services as the sponsor of the Program and is a sub-adviser to FWG Investments and our clients. Services provided as sponsor of the Program include technology platforms to support data reconciliation, performance reporting, fee calculation and billing, research, client database maintenance, quarterly performance evaluations, models, trading platforms, and other functions related to the administrative tasks of managing client accounts

FWG Investments assists clients with the establishment of one or more individual accounts at National Financial Services through the Fidelity Institutional Wealth Program (collectively referred to as Fidelity) or TD Ameritrade. Fidelity or TD Ameritrade will serve as the qualified custodian for accounts through Program. Clients must appoint FWG Investments and AE Wealth Management, as a sub-adviser, as their investment advisors of record on the account. The qualified custodians maintain physical custody of all funds and securities of the account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the account.

Through the Program, you will receive continuous investment advice based on your needs and circumstances. Utilizing tools provided by AE Wealth Management, FWG Investments will determine the suitability of the asset allocation and investment options for each client. FWG Investments will then assist clients in allocating their assets among different investment options in the Program and recommend strategies developed by FWG Investments or by Model Managers.

Your accounts may be comprised of equity-based investments determined and selected by FWG Investments using our standard growth and dividend income strategies. Accounts not being managed using our own equity-based investment strategies will be managed using one or more strategies developed by Model Managers. As part of the Program, you will give us and AE Wealth Management discretion to select Model Managers to design and determine model portfolios for your assets.

Clients participating in the Program will grant FWG Investments discretionary authority with respect to investment and advisory services provided to Program clients. Additionally, each client will grant AE Wealth Management full discretionary authority to (i) invest and reinvest the assets in the Program and (ii) retain Model Managers with respect to all or a part of account assets. This means AE Wealth Management will have trading authority on your account which is necessary to trade investments recommended by Model Managers. FWG Investments will also direct AE Wealth Management to trade accounts managed using FWG Investments own strategies.

Although we review the performance of Model Managers, we are only able to select the investment managers approved by AE Wealth Management and thus available through the Program. Therefore, we have a conflict of interest because we do not recommend Model Managers to you if the investment manager is not available through the Program.

We will provide you with a copy of AE Wealth Management's disclosure brochure which contains a detailed description of AE Wealth Management and the Program.

**Asset Management Services: Options-Only Portfolios** – For clients seeking strategies comprised solely of option contracts on securities (referred to as “options”), our Options-Only Portfolios Wrap Fee Program will be used (“Options-Only Program”).

Through the Options-Only Program FWG Investments provides asset management services which involve FWG Investments providing you with continuous and ongoing supervision over your specified accounts comprised solely of options securities. An option is a financial derivative that represents a contract sold by one party (option writer) to another party (option holder). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date). Call options give the option to buy at a certain price, so the buyer would want the stock to go up. Put options give the option to sell at a certain price, so the buyer would want the stock to go down.

FWG Investments assists clients with the establishment of one or more individual accounts at National Financial Services through the Fidelity Institutional Wealth Program (collectively referred to as Fidelity) or TD Ameritrade. Fidelity or TD Ameritrade will serve as the qualified custodian for accounts through Program. Clients must appoint FWG Investments as their investment advisor of record on the account.

The qualified custodians maintain physical custody of all funds and securities of the account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the account.

The account is managed on a discretionary basis (please refer to Item 16 for more information regarding the use of discretionary authority) by us based on your financial situation, investment objectives and risk tolerance. We actively monitor and trade the account and provide advice regarding buying, selling, reinvesting or holding options, cash and money market funds in the account.

We will provide you with a copy of the Options-Only Wrap Fee Program brochure which contains a detailed description of the Options-Only Program.

**Additional Disclosure Regarding Services through AE Wealth Management Platform and Options-Only Wrap Fee Program** - We will need to obtain certain information from you to determine your financial situation and investment objectives. You will be responsible for notifying us of any updates regarding your financial situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however, we will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. We are always reasonably available to consult with you relative to the status of your account. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us or AE Wealth Management not to purchase certain securities.

It is important that you understand that we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions taken for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

*Administrative Services Provided by Orion Advisor Services, LLC*

To help manage accounts through the AE Wealth Management Program and our Options-Only Portfolios program, we utilize Orion Advisor Services, LLC (referred to as "Orion") technology platforms to support data reconciliation, performance reporting, fee calculation and billing, client database maintenance, quarterly performance evaluations, and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, Orion will have access to client accounts, but Orion will not serve as an investment advisor to our clients. Orion receives a portion of the overall fee charged to our client accounts.

**Non-Managed (Courtesy) Account Services** - Upon discretion and final approval by FWG Investments, some clients may be allowed to establish one or more non-managed (also known as "courtesy") accounts through TD Ameritrade or Fidelity Investments, and appoint FWG Investments as the investment advisor to the account. While our Firm will be listed as an investment advisor on a courtesy account; courtesy accounts do not receive ongoing supervision and monitoring services like those provided to accounts through our Asset Management Services described above. We do not make any investment recommendations and will not monitor specific securities or general portfolios for these accounts. The primary purpose for this service is to include non-managed accounts owned by the client in the performance reports provided by our firm to those clients. Although we do not provide on-going management services or provide specific investment recommendations for these accounts, non-managed accounts will be included in the performance reports that are prepared and provided from FWG Investments.

Clients are solely responsible for initiating all purchase and sale decisions of general securities held in non-managed accounts. Therefore, clients with courtesy accounts, and not FWG Investments or any of our employees, will have the exclusive responsibility for the performance and monitoring of all securities that are purchased for, or held, in the non-managed account.

FWG Investments does not currently charge a fee for this service. However, clients will be required to enter into a written agreement with FWG Investments, and they will be provided a copy of this disclosure brochure prior to establishing a courtesy account.

**Newsletters** - FWG Investments occasionally prepares general, educational and informational newsletters. Newsletters are always offered on an impersonal basis and do not focus on the needs of a specific individual. We do not charge a subscription or other fee for sending newsletters.

### **Limits Advice to Certain Types of Investments**

FWG Investments provides investment advice on the following types of investments:

- Equity Securities (e.g. stocks)
- Exchange Traded Funds (ETFs)
- Fixed Income Securities (e.g. bonds)
- Options Contracts on Securities
- Mutual Funds
- Exchange-listed Securities
- Corporate Debt Securities
- Variable Life Insurance

Although we generally provide advice only on the products previously listed, we reserve the right to offer advice on any investment product that may be suitable for each client's specific circumstances, needs, goals and objectives.

It is not our typical investment strategy to attempt to time the market, but we may increase cash holdings modestly as deemed appropriate based on your risk tolerance and our expectations of market behavior. We may modify our investment strategy to accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

*(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.)*

### **Participation in Wrap Fee Programs**

FWG Investments offers asset management services exclusively through wrap fee programs. The AE Wealth Management Program and our Options-Only Program are both wrap fee programs. A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions. Whenever a fee is charged to a client for services described in this brochure (whether wrap fee or non-wrap fee), we will receive a portion of the fee charged.

### **Tailor Advisory Services to Individual Needs of Clients**

FWG Investments's advisory services are always provided based on your individual needs. This means, for example, that when we provide asset management services, you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with you on a one-on-one basis through interviews and questionnaires to determine your investment objectives and suitability information. Our financial planning services are always provided based on your individual needs. When providing financial planning services, we work with you on a one-on-one basis through interviews and questionnaires to determine your investment objectives and suitability information.

We will not enter into an investment adviser relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.



### **Client Assets Managed by FWG Investments**

FWG Investments has a total of \$183,374,067 assets under management to report as of December 31, 2019. \$159,388,436 of assets are managed on a discretionary basis and \$23,985,631 of assets are managed on a non-discretionary basis.

### **Item 5 – Fees and Compensation**

In addition to the information provided in *Item 4 – Advisory Business*, this section provides additional details regarding our firm's services along with descriptions of each service's fees and compensation arrangements. It should be noted that lower fees for comparable service may be available from other sources. The exact fees and other terms will be outlined in the agreement between you and FWG Investments.

#### **Financial Planning Services**

Fees charged for our financial planning services are negotiable based upon the type of client, the services requested, the investment adviser representative providing advice, the complexity of the client's situation, the composition of the client's account, other advisory services provided and the relationship of the client and the investment adviser representative. The following are the fee arrangements available for financial planning services offered by FWG Investments.

**Hourly Fees:** FWG Investments provides financial planning services under an hourly fee arrangement. An hourly fee in the range of \$175 to \$500 per hour (depending upon the factors outline in the preceding paragraph) is charged by FWG Investments for financial planning services provided under this arrangement. Before commencing financial planning services, FWG Investments provides an estimate of the approximate hours needed to complete the requested financial planning services. If FWG Investments anticipates exceeding the estimated number of hours required, FWG Investments will contact you to receive authorization to provide additional services. You will pay in advance a mutually agreed upon retainer that will be available for FWG Investments to bill hourly fees against for our financial planning services; however, under no circumstances will FWG Investments require you to pay fees more than \$500 more than six months in advance. Any unpaid hourly fees are due immediately upon completion and delivery of the financial plan.

**Fixed Fees:** FWG Investments may also provide financial planning services under a fixed fee arrangement. A mutually agreed upon fixed fee is charged for financial planning services under this arrangement. There is a range in the amount of the fixed fee charged by FWG Investments for financial planning services. The minimum fixed fee is generally \$175, and the maximum fixed fee is generally no more than \$5,000. The amount of the fixed fee for your engagement is specified in your financial planning agreement with FWG Investments. Fixed fees are based on the factors outlined in the first paragraph of this section. At our sole discretion, you may be required to pay in advance of the fixed fee at the time you execute an agreement with FWG Investments; however, at no time will FWG Investments require payment of more than \$500 in fees more than six months in advance. Upon completion and delivery of the financial plan, the fixed fee is considered earned by FWG Investments and any unpaid amount is immediately due.

The financial planning services terminate thirty (30) days following the delivery of the written financial plan or either you or FWG Investments providing the other party with written notice.

You may terminate the financial planning services within five (5) business days of entering into an agreement with FWG Investments without penalty or fees due. If you terminate the financial planning

services after five (5) business days of entering into an agreement, you will be responsible for immediate payment of any financial planning services performed by FWG Investments prior to the receipt by FWG Investments of your notice. For financial planning services performed by FWG Investments under an hourly arrangement, you will pay FWG Investments for any hourly fees incurred at the rates described above. For financial planning services performed by FWG Investments under a fixed fee arrangement, you will pay FWG Investments a pro-rated fixed fee equivalent to the percentage of work completed by FWG Investments as determined by FWG Investments. In the event that there is a remaining balance of any fees paid in advance after the deduction of fees from the final invoice, those remaining proceeds will be refunded by FWG Investments to you.

### ***Other Fee Terms for Financial Planning Services***

You may pay the investment advisory fees owed for the financial planning services by submitting payment directly by check.

If you elect to pay by automatic deduction from an existing investment account, you will provide written authorization to FWG Investments for such charge.

You should notify FWG Investments within ten (10) days of receipt of an invoice if you have questions about or dispute any billing entry.

To the extent FWG Investments engages an outside professional (i.e. attorney, independent investment adviser such as AE Wealth Management or accountant) while providing financial planning services to you, FWG Investments will be responsible for the payment of the fees for the services of such an outside professional, and you will not be required to reimburse FWG Investments for such payments.

To the extent that you personally engage such an outside professional, you will be responsible for the payment of the fees for the services of such an outside professional, and FWG Investments will not be required to reimburse Client for such payments. Fees for the services of an outside professional (i.e. attorney, independent investment adviser or accountant) will be in addition to and separate from the fees charged by FWG Investments, and you will be responsible for the payment of the fees for the services of such an outside professional. In no event will the services of an outside professional be engaged without your express approval.

All fees paid to FWG Investments for services are separate and distinct from the commissions, fees and expenses charged by insurance companies associated with any disability insurance, life insurance and annuities subsequently acquired by you. If you sell or liquidate certain existing securities positions to acquire any insurance or annuity, you may also pay a commission and/or deferred sales charges in addition to the financial planning and consulting fees paid to FWG Investments and any commissions, fees and expenses charged by the insurance company for subsequently acquired insurance and/or annuities.

All fees paid to FWG Investments for financial planning services are separate and distinct from the commissions charged by a broker-dealer or asset management fees charged by an investment adviser to implement such recommendations.

Fees for the financial planning services may be waived by FWG Investments at our sole discretion.

If you elect to have your investment adviser representative, in his or her separate capacity as an insurance agent, implement the recommendations of FWG Investments, your investment adviser representative at his or her discretion may waive or reduce the investment advisory fee charged for these

services by the amount of the commissions received by your investment adviser representative as an insurance agent. Any reduction of the investment advisory fee will not exceed 100% of the insurance commission received.

If you elect to implement the recommendations of FWG Investments through our other investment advisory programs, FWG Investments may waive or reduce a portion of the investment advisory fees for such investment advisory program(s). Any reduction will be at the discretion of your investment adviser representative and disclosed to you prior to contracting for additional investment advisory services.

**Asset Management Services through AE Wealth Management Platform**

Clients participating in the AE Wealth Management Program (the "Program") are charged a specified fee, or fees for investment advisory and execution services. Clients in the Program pay a single annualized fee of 1.50%.

Fees charged for our asset management services are charged based on a percentage of assets under management, billed in arrears (at the end of the billing period) on a monthly calendar basis and calculated based on the average daily balance of your account for the billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. If asset management services are commenced in the middle of a billing period, the prorated fee for the initial billing period is billed in arrears at the same time as the next full billing period's fee is billed.

The asset management services continue in effect until terminated. You may terminate the services by providing FWG Investments with notice. FWG Investments may terminate the services by providing you with written notice effective 30 days after you receive the written notice. Any prepaid, unearned fees will be promptly refunded by FWG Investments to you. Fee refunds will be determined on a pro rata basis using the number of days services are actually provided during the final period.

Although our standard fee for services is 1.50%, fees are negotiable based on the investment adviser representative providing the services, the type of client, the complexity of the client's situation, the composition of the client's account (i.e., equities versus mutual funds), the potential for additional account deposits, the relationship of the client with the investment adviser representative, and the total amount of assets under management for the client. We don't use a tiered fee schedule approach.

FWG Investments believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, our annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to our compensation, you may also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses).

Program fees will be deducted from your account by AE Wealth Management who will retain 40 basis points of the assets under management (0.40%) with the remaining portion paid directly to our firm. The portion retained by AE Wealth Management is split between AE Wealth Management, Model Managers and your account qualified custodian to cover transactions executed in your accounts.

By special request, clients with multiple Program accounts may request that fees for all accounts be deducted from a single designated account. Also, by special request, clients may request direct billing from FWG Investments for its portion of the wrap fee, e.g. a client wishing to pay their qualified account fee with non-qualified funds.

To have Program fees deducted from your account, you must authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to AE Wealth Management.

You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted.

In addition, you may incur certain charges imposed by third parties other than FWG Investments in connection with investments made through your account including, but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and miscellaneous expenses imposed by the qualified custodian(s) of your account. Management fees charged by FWG Investments are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus.

**Asset Management Services: Options-Only Portfolios**

Fees for our Options-Only Program are charged based on a percentage of assets under management, billed in advance (at the start of the billing period) on a monthly calendar basis and calculated based on the fair market value of your account as of the last business day of the previous billing period.

Clients may pay a single fee for investment advisory services provided by FWG Investments and execution services provided by your qualified custodian.

Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. If services are commenced in the middle of a billing period, the prorated fee for the initial billing period is billed in arrears at the same time as the next full billing period's fee is billed.

Services continue in effect until terminated. You may terminate the services by providing FWG Investments with notice. FWG Investments may terminate the services by providing you with written notice effective 30 days after you receive the written notice. Any prepaid, unearned fees will be promptly refunded by FWG Investments to you. Fee refunds will be determined on a pro rata basis using the number of days services are actually provided during the final period.

The annual fee for Options-Only Program services will be 2.00%. Although our standard fee for Options-Only Program services is 2.00%, fees are negotiable based on the investment adviser representative providing the services, the type of client, the complexity of the client's situation, the potential for additional account deposits, the relationship of the client with the investment adviser representative, and the total amount of assets under management for the client.

FWG Investments believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, our annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs.

You can choose how to pay your investment advisory fees. The investment advisory fees can be deducted from your account and paid directly to our firm by the qualified custodian(s) of your account or you can pay our firm upon receipt of a billing notice sent directly to you.

If you choose to have the investment advisory fees deducted from your account, you must authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to

FWG Investments. The qualified custodian will be solely responsible for debiting the fee from your account. FWG Investments will not debit the fee from your account. The fee debited from your account by the qualified custodian will cover both our investment advisory fee and the qualified custodian's execution fees. Up to .10% of your fee will be retained by the qualified custodian for execution costs with the remaining portion paid from the qualified custodian to our firm.

You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted.

If you choose to pay the fees after receiving a statement, fees are due upon your receipt of a billing notice sent directly to you. In these situations, the qualified custodian will still debit the fee for brokerage/transaction costs from your account, but you will need to pay our fee upon receipt of the billing invoice. The billing notice will detail the formula used to calculate our management fee, the assets under management and the time period covered. Fees for the services of our firm will be due immediately after your receipt of the billing notice.

You may incur certain charges imposed by third parties other than FWG Investments in connection with investments made through your account including, but not limited to, 12b-1 fees and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and miscellaneous fees and expenses imposed by the qualified custodian(s) of your account.

### **Newsletters**

Newsletters are available to clients and prospective clients free of charge.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. *Item 6* is not applicable to this Disclosure Brochure because we do not charge or accept performance-based fees.

## **Item 7 – Types of Clients**

FWG Investments generally provides investment advice to the following types of clients:

- Individuals
- High net worth individuals
- Trusts, estates, or charitable organizations
- Small business including corporations and other business entities

You are required to execute a written agreement with FWG Investments specifying the particular advisory services in order to establish a client arrangement with FWG Investments.

### **Minimum Investment Amounts Required and Minimum Fees Charged for Financial Planning**

FWG Investments requires a minimum of \$10,000 for our asset management services. To reach this account minimum, clients can aggregate all household accounts. Exceptions may be granted to this minimum for the expectation of additional funds or assets.

The minimum fee charged for financial planning services provided on an hourly or fixed fee basis is \$175.

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

### **Methods of Analysis**

FWG Investments uses the following methods of analysis in formulating investment advice:

Charting - This is a set of techniques used in technical analysis in which charts are used to plot price movements, volume, settlement prices, open interest, and other indicators, in order to anticipate future price movements. Users of these techniques, called chartists, believe that past trends in these indicators can be used to extrapolate future trends.

Charting is likely the most subjective analysis of all investment methods since it relies on proper interpretation of chart patterns. The risk of reliance upon chart patterns is that the next day's data can always negate the conclusions reached from prior days' patterns. Also, reliance upon chart patterns bears the risk of a certain pattern being negated by a larger, more encompassing pattern that has not shown itself yet.

Cyclical – This method analyzes the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and in higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins, and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

While most economists and investors agree that there are cycles in the economy that need to be respected, the duration of such cycles is generally unknown. An investment decision to buy at the bottom of a business cycle may actually turn out to be a trade that occurs before or after the bottom of the cycle. If done before the bottom, then downside price action can result prior to any gains. If done after the bottom, then some upside price action may be missed. Similarly, a sell decision meant to occur at the top of a cycle may result in missed opportunity or unrealized losses.

Fundamental – This is a method of evaluating a security by attempting to measure its intrinsic value and intrinsic growth potential by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value and growth, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value and growth potential. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an

interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

Technical – This is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

To conduct analysis, FWG Investments gathers information from financial newspapers, magazines and websites, inspection of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses and filings with the SEC, and company press releases.

### **Investment Strategies**

FWG Investments uses the following investment strategies when managing client assets and/or providing investment advice:

**Active Management.** During times where economic and geopolitical news and outlook has the potential for dramatic change, portfolios can be managed in an attempt to benefit from, or protect against, those volatile movements. In general, this strategy may not be suitable for investors who require a very low trading activity (buy-and-hold) through all market conditions.

**Asset Allocation.** The investment sector, geographical region, and class to which assets are allocated can play a significant role in the potential for portfolio performance. Cyclical and fundamental analyses form the basis for asset allocation decisions.

**Diversification.** A risk management technique that mixes the variety of investments positions within a portfolio in order to minimize the impact any one security can have on the overall portfolio performance. The effectiveness of this strategy may be limited by a small variety of investments

available within a concentrated portfolio. A diversified portfolio can contain positions which will perform at variance to each other.

Long term purchases. Investments held at least a year.

Short term purchases. Investments sold within a year.

Frequent trading. This strategy refers to the practice of selling investments within 30 days of purchase. Frequent trading of securities may have a positive or negative impact on investment performance.

Option writing including cover options, uncovered options or spreading strategies. Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.

### **Don't Primarily Recommend One Type of Security**

We do not primarily recommend one type of security to clients. Instead, we recommend any product that may be suitable for each client relative to that client's specific circumstances and needs.

### **Risk of Loss**

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated with investing in securities through our investment management program, as described below:

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on



strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

- Fixed Income Risk. When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.
- Margin Risk - When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you intended to borrow funds in connection with your Account, you will be required to open a margin account, which will be carried by the clearing firm. The securities purchased in such an account are the clearing firm's collateral for its loan to you.

If those securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and as a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, which are applicable to any margin account that you may maintain, including any margin account that may be established as part of the Asset Management Agreement established between you and FWG Investments and held by the account custodian or clearing firm.

These risks include the following:

- You can lose more funds than you deposit in your margin account.
- The account custodian or clearing firm can force the sale of securities or other assets in your account.
- The account custodian or clearing firm can sell your securities or other assets without contacting you.
- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call.
- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities.

- The account custodian or clearing firm can increase its “house” maintenance margin requirements at any time and they are not required to provide you advance written notice.
- You are not entitled to an extension of time on a margin call.
- Alternative Investments – Our portfolio holdings are typically traded on U.S. exchanges; however non-U.S. investments, currency and commodity investments may contain additional risks associated with government, economic, political or currency volatility.
- Emerging Markets – Where justified by the investment analysis outlined above, investment either indirectly or directly in emerging markets may be included in a portfolio. Emerging markets can experience high volatility and risk in the short term.

### Item 9 – Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

The Kentucky Department of Financial Institutions (“DFI”) after a routine compliance examination of FWG Investments opened a formal investigation into FWG Investments’ investment-related activities on June 26, 2018. DFI and FWG Investments entered into a Partial Agreed Order on April 30, 2020 (the “FWG Order”) to resolve the matter without litigation or other adversary proceedings and without FWG Investments admitting liability.

DFI claims that the following violations existed and are referenced in the FWG Order: (1) FWG Investments employed or associated with two individuals, Donald Eugene Bentley (“Bentley”) and Jeffrey Kyle Sheppard (“Sheppard”) who provided investment advice to clients while they were not registered as investment advisers with the DFI. Sheppard became registered as an investment adviser representative (“IAR”) on July 6, 2018. Bentley failed to satisfy the requirement that he pass the Series 65 exam and has since passed the exam. However, Bentley’s registration was suspended under a separate agreed order between him and the DFI for 120 days from April 30, 2020. When Bentley’s registration was terminated for failure to pass the Series 65 exam, the FWG Order notes that FWG Investments misrepresented Bentley’s qualifications as an IAR by failing to disclose he was not properly registered and allowing him to meet with clients and provided investment advice. (2) FWG Investments failed to maintain clear and accurate copies of correspondence between FWG Investments’ clients and employees as required under Kentucky law. (3) FWG Investments failed to maintain clear and accurate transaction records as required under Kentucky law. Without admitting liability, FWG Investments agreed to pay a civil fine of \$50,000 and to cease and desist from any further violations.

### Item 10 – Other Financial Industry Activities and Affiliations

At this time, FWG Investments is **not** and does **not** have a related person that is a broker/dealer, municipal securities dealer, government securities dealer or broker, an investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund), another investment adviser or financial planner, a futures commission merchant, commodity pool operator, or commodity trading advisor, a banking or thrift institution, an accountant or accounting firm, a lawyer or law firm, a pension consultant, a real estate broker or dealer, and a sponsor or syndicator of limited partnerships.

We are an independent registered investment registered adviser and only provide investment advisory services. We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure. However, while we do not sell products or services other than

investment advice, our representatives may sell other products or provide services outside of their role as investment adviser representatives with us.

### **Sub-Advisers**

As described in *Item 4 – Advisory Business* and *Item 5 – Fees and Compensation*, FWG Investments has formed relationships with independent, investment advisers to serve as sub-advisors through the AE Wealth Management Program. Please refer to the previous disclosures in Item 4 and Item 5 regarding our use of sub-advisers and model managers.

### **Insurance Services**

You may work with your investment adviser representative in his or her separate capacity as an insurance agent through our affiliated company Family Wealth Group, LLC. When acting in his or her separate capacity as an insurance agent, the investment adviser representative may sell, for commissions, general disability insurance, life insurance, annuities, and other insurance products to you. As such, your investment adviser representative in his or her separate capacity as an insurance agent may suggest that you implement recommendations by purchasing disability insurance, life insurance, annuities, or other insurance products.

Our investment advisor representatives spend approximately 50% of their time on insurance sales and services and 50% of their time on investment advisory services in the future. *Please refer to Item 5 – Fees and Compensation and Item 14 – Client Referrals and Other Compensation for more details.*

Family Wealth Group, LLC utilizes the services of Advisors Excel, a third-party insurance marketing organization ("IMO") to select the appropriate product. The IMO may also offer special incentive compensation while our investment adviser representatives acts in their separate capacity as insurance agents, if they meet certain overall sales goals by placing annuities and/or other insurance products through the IMO. A client could perceive that the receipt of commissions and additional incentive compensation itself creates a conflict of interest and may affect our independent judgment. However, this conflict is mitigated by the fact that we have a fiduciary responsibility to place the best interest of the client first and clients are not required to purchase any insurance products through us in our separate capacity as insurance agents. The purpose of the IMO is to assist us to find the insurance company that best fits the client's situation.

Advisors Excel is a related company of AE Wealth Management. Advisors Excel provides affiliate members such as our insurance firm, Family Wealth Group, LLC, with marketing assistance and business development tools to acquire new clients, technology with the goal of improving the client experience and our firm's efficiency, back office and operations support to assist in the processing of our insurance (through Advisors Excel) and investment advisory services (through AE Wealth Management) for clients, and business succession planning for our firm. Although some of these services may directly benefit a client, other services obtained by us from Advisors Excel such as marketing assistance and business development may not benefit an existing client.

There is a conflict of interest when we use the sub-adviser and financial planning services of AE Wealth Management because we are influenced to use AE Wealth Management based upon our relationship with, the services provided and support of Advisors Excel.

### **Informal Arrangement with Third-Party Accountant and Attorney**

FWG Investments may recommend the use of Mark Chambers, CPA, of Chambers CPA, an unaffiliated third-party accountant to help with personal tax preparation and analysis. FWG Investments, at their discretion, will pay up to \$275 for personal, non-business tax preparation and analysis services as a complimentary service to the client. Fees in excess of \$275 are paid by the client. FWG Investments receives no referral fees or other compensation from the accounting firm and the accounting firm does not receive referral fees from FWG Investments when the accounting firm refers clients to FWG Investments. Clients are not obligated or required in any way to use the services of Mark Chambers, CPA, of Chambers CPA and can use any accounting firm they choose.

FWG Investments also recommends D. Lyle McQuinn, JD, of Goeing, Goeing & McQuinn PLLC, an unaffiliated law firm that specializes in wills and estate planning. All legal fees charged by D. Lyle McQuinn, JD, of Goeing, Goeing & McQuinn PLLC, are paid by the client and the client will need to execute a separate, written agreement with the law firm. The law firm may also attend FWG Investment seminars and meet at our office with clients. No fees for client referrals are paid in either direction. Clients are not obligated to utilize the services of a third-party law firm recommended by FWG Investments and can use the attorney of their choice.

### **Metzler Marketing**

Kevin Metzler is the owner of an event planning and direct mail marketing business for financial services and sales. As the owner of this other business, Kevin Metzler will receive profits and benefits from the business and may receive any other additional compensation associated with the company. Mr. Metzler devotes less than 5 hours a week to this other business activity. Although this service is financial-related, it is considered separate and distinct from the services provided through FWG Investments. Clients of FWG Investments are not also clients of Metzler Marketing.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

### **Code of Ethics Summary**

An investment adviser is considered a fiduciary and has a fiduciary duty to all clients. FWG Investments has established a Code of Ethics to comply with the requirements of the securities laws and regulations that reflects its fiduciary obligations and those of its supervised persons. The Code of Ethics also requires compliance with federal securities laws. FWG Investments's Code of Ethics covers all individuals that are classified as "supervised persons". All employees, officers, directors and investment adviser representatives are classified as supervised persons. FWG Investments requires its supervised persons to consistently act in your best interest in all advisory activities. FWG Investments imposes certain requirements on its affiliates and supervised persons to ensure that they meet the firm's fiduciary responsibilities to you. The standard of conduct required is higher than ordinarily required and encountered in commercial business.

This section is intended to provide a summary description of the Code of Ethics of FWG Investments. If you wish to review the Code of Ethics in its entirety, you should send us a written request and upon receipt of your request, we will promptly provide a copy of the Code of Ethics to you.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

FWG Investments or supervised persons of the firm may buy or sell for their personal accounts, investments identical to those recommended to clients. This creates a conflict of interest. It is the express policy of FWG Investments that all persons supervised in any manner with our firm must place clients' interests ahead of their own when implementing personal investments. As is required by our internal procedures manual, FWG Investments and its supervised persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with our firm unless the information is also available to the investing public upon reasonable inquiry.

We are now and will continue to be in compliance with applicable state and federal rules and regulations. To prevent conflicts of interest, we have developed written supervisory procedures that include personal investment and trading policies for our representatives, employees and their immediate family members (collectively, supervised persons). Any supervised person not observing our policies is subject to sanctions up to and including termination.

### **Item 12 – Brokerage Practices**

Clients are under no obligation to act on the financial planning recommendations of FWG Investments. If the firm assists in the implementation of any recommendations, we are responsible to ensure that the client receives the best execution possible. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions considered, the transaction execution is in your best interest. When considering best execution, we look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with our existing systems, ease of monitoring investments)
- Certain soft dollar products and services offered (e.g., investment programs, back office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back-office services, technology and pricing of services offered.

At least annually, we will review alternative custodians in the marketplace for comparison to the currently used custodian, evaluating criteria such as overall expertise, cost competitiveness, and financial condition. Quality of execution for custodians will be reviewed through trade journal evaluations. Currently, we require the use of either TD Ameritrade or Fidelity.

#### **TD Ameritrade**

FWG Investments primarily recommends that you establish brokerage accounts with TD Ameritrade through their Institutional Platform. TD Ameritrade, Inc. ("TD Ameritrade") is a member of FINRA/SIPC/NFA. TD Ameritrade is an independent (and unaffiliated) SEC-registered broker-dealer and is recommended by FWG Investments to maintain custody of clients' assets and to effect trades for their accounts. FWG Investments is independently owned and operated and not affiliated with TD Ameritrade.

The primary factor in suggesting a broker/dealer or custodian is that the services of the recommended firm are provided in a cost-effective manner. While quality of execution at the best price is an important determinant, best execution does not necessarily mean lowest price and it is not the sole consideration. The trading process of any broker/dealer and money manager suggested by FWG Investments must be efficient, seamless, and straight-forward. Overall custodial support services, trade correction services, and statement preparation are some of the other factors determined when suggesting a broker/dealer.

TD Ameritrade, Inc. provides us with access to their institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisors at no charge to them so long as the independent investment advisors maintain a minimum amount of assets with the custodian.

These benefits include, but are not necessarily limited to: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk; access to block trading which provides the ability to aggregate securities transactions and allocate the appropriate shares to client accounts; access to an electronic communications network for client order entry and account information; and access to mutual funds that generally require significantly higher minimum initial investments or are generally only available to institutional investors.

TD Ameritrade, Inc. also makes available to us other products and services that benefit our firm but may not benefit clients' accounts. Some of these other products and services assist us in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmation and account statements); provide research, pricing information and other market data; facilitate payment of the firm's fees from its clients' accounts; and assist with back-office functions; record keeping and client reporting. Many of these services generally may be used to service all or a substantial number of our accounts, including accounts not maintained at a recommended custodian. TD Ameritrade, Inc. is also providing other services intended to help our firm manage and further develop our business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing.

Specifically, FWG Investments participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. TD Ameritrade offers to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Adviser receives some benefits from TD Ameritrade through its participation in the program. *(Please see the disclosure under Item 14 below.)*

### **Fidelity**

We may also recommend the use of National Financial Services, LLC a Fidelity affiliated company and SEC-registered broker/dealer member FINRA/SIPC. This recommendation is based on our participation in the Fidelity Institutional Wealth Services program. Fidelity provides FWG Investments with access to their institutional trading and custody services, typically not available to retail investors. The services from Fidelity include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Fidelity also makes available to FWG Investments other products and services that we benefit from but may not benefit your accounts. Some of these other products and services assist us in managing and administering client accounts. These include software and other technology that:

- Provide access to client account data (such as trade confirmation and account statements)
- Facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts)
- Provide research, pricing information and other market data
- Facilitate payment of our fees from client accounts
- Assist with back-office functions, recordkeeping and client reporting.

Many of these services generally may be used to service all or a substantial number of our accounts. Fidelity also makes available other services intended to help us manage and further develop our business. These services may include:

- Consulting, publications and conferences on practice management
- Information technology
- Business succession
- Regulatory compliance
- Marketing.

In addition, Fidelity may make available, arrange and/or pay for these types of services rendered to FWG Investments by independent third-parties providing these services to us. As a fiduciary, we endeavor to act in your best interest. Our requirement that you maintain your assets in accounts at Fidelity may be based in part on the benefit to us of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Fidelity. This creates a potential conflict of interest.

#### **Directed Brokerage**

Clients should understand that not all investment advisors require the use of a particular broker/dealer or custodian. Some investment advisors allow their clients to select whichever broker/dealer the client decides. By requiring clients to use a particular broker/dealer, FWG Investments may not achieve the most favorable execution of client transactions and the practice requiring the use of specific broker/dealers may cost clients more money than if the client used a different broker/dealer or custodian. However, for compliance and operational efficiencies, FWG Investments has decided to require our clients to use broker/dealers and other qualified custodians determined by FWG Investments. You are under no obligation to act on our recommendations. You may select a broker/dealer or account custodian other than those we use, although in this case we cannot assist you with asset management services.

#### **Block Trading Policy**

We may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by our firm when FWG Investments believes such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

FWG Investments uses the average price allocation method for transaction allocation.

Under this procedure FWG Investments will calculate the average price and transaction charges for each transaction included in a block order and assign the average price and transaction charge to each allocated transaction executed for the client's account.

If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which FWG Investments or our associated persons may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither we nor our associated persons receive any additional compensation as a result of block trades.

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers**

Managed accounts are reviewed at least annually. While the calendar is the main triggering factor, reviews can also be conducted at your request. Account reviews will include investment strategy and objectives review and making a change if strategy and objectives have changed. Reviews are conducted by Donald Bentley, Jeff Sheppard, Tim Riney and Vincent Montgomery, with reviews performed in accordance with your investment goals and objectives.

Our financial planning services terminate upon thirty (30) days following the delivery of the written financial plan. Our financial planning services do not include monitoring the investments of your account(s), and therefore, there is no ongoing review of your account(s) under such services.

### **Statements and Reports**

For our asset management services, you are provided with transaction confirmation notices and regular monthly account statements in writing directly from the qualified custodian. Additionally, FWG Investments may provide performance reports to you upon request.

Financial planning clients do not receive any report other than the written plan originally contracted for and provided by FWG Investments.

You are encouraged to always compare any reports or statements provided by us or a sub-adviser against the account statements delivered from the qualified custodian. When you have questions about your account statement, you should contact our firm and the qualified custodian preparing the statement.

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

FWG Investments does not directly or indirectly compensate any person for client referrals.

Our investment advisor representatives, acting in their separate capacity as insurance agents, receive commissions and other incentive awards for the recommendation/sale of annuities and other insurance products. While our investment advisor representatives endeavor at all time to put the interest of the clients first as a part of the firm's fiduciary duty, clients should be aware that the receipt of commission and additional compensation itself creates a conflict of interest, and may impact the insurance products they select when making recommendations.

We may from time to time receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in



which product sponsors may underwrite costs incurred for marketing such as client appreciation events, advertising, publishing, and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for which sales have been made or for which it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of our clients. We attempt to control for this conflict by always basing investment decisions on the individual needs of our clients.

### **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

According to this definition, FWG Investments will not have custody of client funds or securities.

For all of our managed accounts, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from FWG Investments. When clients have questions about their account statements, they should contact FWG Investments or the qualified custodian preparing the statement.

### **Item 16 – Investment Discretion**

When providing asset management services, FWG Investments maintains trading authorization over your Account and can provide management services on a **discretionary** basis. When discretionary authority is granted, we will have the authority to determine the type of securities and the amount of securities that can be bought or sold for your portfolio without obtaining your consent for each transaction. Our discretionary authority also includes the ability to select Sub-Advisers and Model Managers.

When client grants discretionary authority to establish or terminate a sub-adviser relationship, client also grants the Sub-Adviser selected by FWG Investments with the discretionary authority (in the sole discretion of the Sub-Adviser without first consulting with client) to make all decisions to buy, sell or hold securities, cash or other investments for such portion of the Account managed by the Sub-Adviser. Client also grants the Sub-Adviser selected by FWG Investments with the power and authority to carry out these decisions by giving instructions, on behalf of Client, to brokers and dealers and the qualified custodian(s) of the Account. Client authorizes FWG Investments to provide a copy of this Agreement to the qualified custodian or any broker or dealer, through which transactions will be implemented on behalf of Client, as evidence of Sub-Adviser's authority under this Agreement.

### **Item 17 – Voting Client Securities**

FWG Investments does not vote proxies on behalf of Clients. We have determined that taking on the responsibilities for voting client securities does not add enough value to the services provided to you to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in Account.

You will receive proxies directly from the qualified custodian or transfer agent; we will not provide you with the proxies. You are encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact us. However, you will have the ultimate responsibility for making all proxy-voting decisions.

### **Item 18 – Financial Information**

This *Item 18* is not applicable to this brochure. FWG Investments does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, FWG Investments has not been the subject of a bankruptcy petition at any time.

## Customer Privacy Policy Notice

**Commitment to Your Private Information:** FWG Investments has developed a policy of protecting the confidentiality and security information we collect about our clients. We do not, and will not, share nonpublic personal information about you ("Information") with outside third parties without your consent, except for the specific purposes described below. This notice has been provided to you to describe the Information we may gather and the situations under which we may need to share it.

**Why We Collect and How We Use Information.** We limit the collection and use of Information within our firm to only those individuals associated or employed with us that must have Information to provide financial services to you. Such services include maintaining your accounts, processing transaction requests, providing financial planning, financial advisory, and other services described in our Form ADV.

**How We Gather Information.** We get most Information directly from you when you provide us with information from any of the following sources:

- Applications or forms (for example: name, address, social security number, birth date, assets, income, financial history)
- Transactional activity in your account (for example: trading history and account balances)
- Information services and consumer reporting sources (for example: to verify your identity or to assess your credit history)
- Other sources with your consent (for example: your insurance professional, attorney, or accountant)

**How We Protect Information.** Our employees and affiliated persons are required to protect the confidentiality of Information and to comply with our stated policies. They may access Information only when there is an acceptable reason to do so, such as to service your account or provide you with financial services. Employees who violate our Privacy Policy are subject to disciplinary action, up to and including termination from employment with us. We also maintain physical, electronic, and procedural safeguards to protect information, which comply with applicable SEC, state, and federal laws.

**Sharing Information with Other Companies Permitted Under Law.** We do not disclose Information obtained in the course of our practice except as required or permitted under law. Permitted disclosures include, for instance, providing information to unrelated third parties who need to know such Information in order to assist us with providing services to you. Unrelated third parties may include broker/dealers, mutual fund companies, insurance companies, and the custodian with whom your assets are held. In such situations, we stress the confidential nature of information being shared.

**Former Customers.** Even if we cease to provide you with financial products or services, our Privacy Policy will continue to apply to you and we will continue to treat your nonpublic information with strict confidentiality.