



WEALTH ADVISORS

AN INDEPENDENT WEALTH MANAGEMENT FIRM

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Item 1.

This brochure provides information about the qualifications and business practices of SFMG Wealth Advisors. If you have any questions about the contents of this brochure, please contact us at 972-960-6460 or Crystal@sfmtg.com. The 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 SFMG Wealth Advisors is also available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for SFMG Wealth Advisors is 107548.

Item 2. Material Changes

Following is a summary of material changes to SFMG Wealth Advisors ("SFMG") Form ADV Part 2A (the "Brochure") since the annual update filing of March 30, 2020:

March 2021: We have updated various areas related to our Fees and Compensation.

Please see Item 5 for additional details related to valuing private equity funds for billing purposes and how we charge financial planning fees.

Our clients are strongly encouraged to read this Brochure in its entirety prior to engaging SFMG Wealth Advisors for investment advisory or financial planning services. We will provide, or offer to provide, a copy of this Brochure annually to each of our clients. We may also provide updates between annual offers if there are material changes to the information in this Brochure. Our Brochure may be requested by contacting us at 972-960-6460.

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ITEM 4. ADVISORY BUSINESS

Advisory Firm Description

SFMG, LLC, which now conducts business as SFMG Wealth Advisors, (“SFMG” or “Firm” or “we” or “us”) was founded in 1992 as a fee-only wealth management firm, Strategic Financial Management. SFMG Wealth Advisors is collectively owned by; Kevin Margolis, Craig Greenway, Ryan Blair, Shashin Shah, and J. Taylor Nipp.

SFMG Wealth Advisors is a Dallas area wealth management firm comprised of professionals with a variety of unique backgrounds and viewpoints. Our mission is to deliver unbiased advice while building client loyalty through extraordinary personal service. Our team offers high-touch, personalized financial planning and wealth management for individuals and families in a variety of life stages. We approach each client relationship from a planning perspective, integrating the comprehensive financial planning services with the management of your investment portfolio. We see this as an ongoing, dynamic relationship between planning and investing. Our aim is to provide advice that meets your needs. Our core values are to:

- Passionately protect our clients’ best interest
- Maintain objectivity and transparency
- Provide exceptional client service
- Approach decisions with discipline and analytical rigor
- Continue our collaborative culture
- Encourage innovation and ongoing improvement, and
- Proactively impact our community

We help identify and confirm goals through open and frequent communication. Our wealth advisors schedule meetings with you when appropriate to keep you abreast of changes in the market, tax changes, and the economy and their impact on your personal situation.

Our wealth advisors serve as fiduciaries offering custom wealth management services for successful individuals who in most cases already have a trusted group of advisors from various disciplines, such as: tax accountants, attorneys, and insurance agents. Our role is not to supplant these services, but to coordinate and support them. Our team of wealth advisors helps you execute a plan that brings everything together under one cohesive umbrella.

By focusing on the big picture, we assist you in making the fundamental decisions that will best put you on a path to achieving your individual goals. This unique approach to wealth management surrounds you with a dedicated team of professionals that can simplify your life and integrate all of your financial professionals and decisions.

Types of Advisory Services

Wealth Management Services

For most of our client relationships, we provide wealth management services, which are comprised of both Financial Planning and Investment Advisory Services.

Financial Planning

We listen. We believe that before quality advice can be offered, it is essential to understand your goals. By listening closely to your concerns and plans for the future, we can create a financial planning strategy that accelerates you toward your goals. Our wealth advisors develop a clear financial planning roadmap that fully leverages your available resources to reach your objectives.

Our personalized, tailor-made approach includes:

- Identifying and confirming your personal financial goals through open and frequent communication.
- Providing information and education on any risks, obstacles, and opportunities.
- Limiting the number of clients with which our advisors can partner to optimize the level of service you deserve.

Scheduling meetings to keep you abreast of changes in the market, tax changes, and the economy and the impact these may have on your personal situation, we strive to keep you informed every step of the way. To that end, we provide regular reviews and reports of your portfolio and are always available to answer any questions or concerns you may have. Periodic meetings between you and your wealth advisor ensure that your goals, risk tolerance and objectives are always up to date.

The Investment and Performance Review report is distributed quarterly and is available at review meetings. The implementation plan includes actions and recommendations related to your financial plan. These documents are updated as we reassess your financial situation and goals. Your investment and Performance Review provides a detailed overview of your portfolio's performance and allocation.

Our philosophy of financial planning includes the following:

- Portfolio Management, including the use of
 - Mutual funds
 - Exchange Traded Funds
 - Alternate investments
 - Private Equity
 - Individual Securities
 - Subadvisors

- Estate/Charitable Planning, including working with:
 - Estate attorneys
 - Charities and foundations
 - Trustees
- Borrowing, including working with or identifying:
 - Bankers
 - Mortgage brokers
- Taxes and Accounting, coordinating with:
 - CPAs
 - Tax attorneys
 - Third party retirement plan administrators
- Insurance, including working with or identifying:
 - Life and health companies
 - Insurance brokerage firms
 - Fringe benefit providers

The scope of our planning services includes the following to the degree any client needs:

- Net Worth/Cash Flow Statements
We evaluate your current assets and liabilities, as well as all income and expenses. We also consider potential inheritances, salary changes, or major one-time expenses.
- Retirement Planning
We utilize a sophisticated set of tools to measure and analyze various assumptions on retirement dates, savings rates, longevity expectations, and market conditions.
- Tax Planning
We work in concert with your tax professional to identify any areas of opportunity that might impact your current and future tax situation.
- Insurance Planning
We work with your insurance agents to review and coordinate coverage for homeowners, auto, liability, disability, life, health, and long-term care insurance.
- Estate Planning and Asset Protection
We work with your attorney to provide a plan that protects and distributes your assets to your heirs according to your wishes with the goal of minimizing taxes and expenses.
- Education Planning
We advise you on how much to set aside and how to leverage the tax-advantaged education saving options.
- Business owners

We assist you in evaluating employee benefits packages, succession planning strategies, and how to best integrate the business value in your overall planning.

- Corporate Benefits

We assist clients at the corporate executive level on how to integrate the exercise of stock options and minimize the tax implications. We also assist with the review and implementation of other corporate benefits.

- Charitable Planning

We compare suitable solutions ranging from donor-advised funds to private foundations. We then help you direct your giving through tools that provide the maximum impact for your selected charitable causes and maximize your tax benefit.

Investment Advisory Services

The process of constructing your investment portfolio takes into consideration your financial objectives, the timeline for reaching your goals, and the return expectations. Our advisors create a portfolio that considers tax and cash flow factors. Our goal is to provide you with a portfolio that is more responsive to market risks than the typical “buy and hold” strategy.

Utilizing both institutional and proprietary research, our investment team weighs the evidence to identify changes in the market and economy, and determine potential solutions to benefit your portfolio from both a risk and return perspective. The team monitors your portfolio and executes trades approved by the Investment Committee.

We believe that a centralized decision-making process ensures uniformity and consistency of investment strategy. Our Investment Committee model serves to provide you best-in-class thinking and a system of checks and balances for important investment decisions. The committee is made up of the Investment Team as well as our Advisors. The Investment Committee meets monthly to discuss changes to the portfolio and asset allocations, economic updates, and market conditions.

Our investment management process is to:

- Determine your risk tolerance
- Establish your Investment Policy Statement (“IPS”)
- Invest your portfolio consistently with your IPS
- Make tactical changes reflecting current economic and market conditions
- Review your portfolio’s quarterly performance
- Conduct periodic meetings with you to review your risk tolerance and objectives

Please see the “Methods of Analysis, Investment Strategies and Risk of Loss” section below for more details.

We do not participate in any wrap fee programs in which investment management and transaction fees are “wrapped” into one fee.

Tailored Advisory Services

We tailor each financial plan and our investment management recommendations to you. You may restrict us from buying or selling particular investments in your portfolio. These restrictions may be changed at any time by notifying us.

Client Assets Under Management

As of December 31, 2020, SFMG managed approximately \$1,668,450,000 of assets. Approximately \$1,551,580,000 is managed on a discretionary basis, where we are able to place trades in clients’ accounts without receiving permission for each transaction, and approximately \$116,870,000 is managed on a non-discretionary basis.

ITEM 5. FEES AND COMPENSATION

We are a fee-only firm, and receive no compensation for the sale of any product. In the past some of our personnel have sold insurance products to clients, for which continuing commission checks still arrive. We donate the full amount of these commission checks to charity.

Wealth Management Services Fee

Our fee for Wealth Management services is assessed at the annual rate in effect at the time you engaged SFMG as your investment advisor. The current annual rate for new clients is as follows:

Portion of Investment Portfolio	Annual Rate
First \$1,000,000	1.25%
Next \$2,000,000	0.80%
Assets over \$3,000,000	0.60%

This fee is cumulative and in limited circumstances is negotiable. We base the management fee on the market value of your portfolio as determined by the custodian (or outside pricing service) at the end of the last trading day of the previous calendar quarter. We charge the investment management fee each quarter at one-fourth of the above annual rate and deduct this fee directly from your account. Clients can direct SFMG as to whether, and which, accounts should be aggregated as a “household” to attain the lowest overall fee rate; and whether, and which, account should be charged the management fee for another account.

We do not purchase securities on margin as a practice. There are times when a client will choose to use margin as a form of inexpensive alternative borrowing for various

non-investment purposes. When this is the case, we do not include the margin balance when calculating the fee. Alternatively, an account may enter margin if the account “overdrafts” as a result of a cash distribution. These overdraft margin amounts are usually covered within a few days. However, if the overdraft margin amounts are in place at quarter end, they are netted with the investment values when calculating the management fee.

Accounts for new clients are charged at the end of the initial period in arrears and in advance for the next quarter, based on the value of the account on the last business day of the calendar quarter. All flows into these accounts for the initial quarter are charged on a pro rata basis and based on actual days in the quarter the assets were introduced into the account. Therefore, for new client’s accounts established during a calendar quarter, the first fee paid by the client may appear larger as it combines two quarters, the first full calendar quarter fee paid in advance and a prorated fee for the preceding quarter in which the account was established, paid in arrears.

Thereafter, we adjust the quarterly fee on a pro rata basis for flows of cash or assets in or out of the account that are equal to or exceed \$100,000 in any one day. Fee adjustments for flows in and out of the account are calculated based on the actual days in the quarter the assets were in the account.

Because we have a long history of serving our clients and pride ourselves on meeting clients’ needs individually, earlier clients have different fee schedules or different fee structures. Some earlier clients are not on a “tiered” schedule, and pay the same percentage on all assets, regardless of the size of their account. Some earlier fee schedules had different breakpoints for tiers. Some earlier clients are billed in arrears, in which case the fee is not adjusted for flows in or out of their accounts. Some earlier clients are not charged on cash, hold assets not included in the fee calculation, and some have particular asset classes charged at a lower rate than other asset classes. This means some clients pay more than other clients with the same amount or same type of assets under our management. New clients are charged fees as noted previously, except in limited circumstances where fees may be negotiable.

If you have invested in private equity which we have recommended, we determine the valuation for billing purposes using several different methods described below:

The initial year, we use your total contributed capital for billing purposes until updated valuations are received from the Fund Sponsor. As you make additional contributions during the year and between valuation updates, we adjust the private equity’s billing valuation accordingly. We will attempt to obtain the most recent valuations from the Fund Sponsors, but updates to these may lag by a quarter or more, depending upon when we are able to obtain the valuations. In the event that a Fund Sponsor is unable to provide ongoing valuations, your

contributed capital into the partnership will be used as the valuation for billing purposes. In addition, these assets will be included in the normal fee calculation and is part of your “assets under management” for purposes of calculating fees under a tiered fee schedule.

If a significant distribution occurs after the valuation has been updated, the Alternative Investment Valuation Committee will meet to determine appropriate pricing for the private equity prior to the next quarter end valuation for billing purposes.

On the rare occasion when a client holds a fixed annuity for which we do not receive periodic valuations from the insurance company, we will manually calculate the value based on the interest rate stated in the annuity documents, and will bill on this manually calculated value.

The account balances we use to calculate each account’s billing base may vary from the account balance shown on the custodian’s quarter-end statement because:

- Pending (or unsettled) transactions are not included in the custodian’s end of month account balance. We report transactions as of their trade date, including pending (or unsettled) transactions
- We include accrued interest and
- We include private equity not held at the custodian

The Investment Advisory Agreement may be terminated by either party immediately upon receipt of written notice from the other party. If you should terminate the relationship during a quarter, we refund to you on a pro rata basis the fees which you have prepaid and which we will have not yet earned, using the days remaining in the quarter over the actual number of days in the quarter. Upon termination of the Client Agreement, we have no obligation to take any action with regard to investments in your account(s).

Financial Planning Fees

In certain limited circumstances, you may engage us to create a Financial Plan exclusive of Portfolio Management or request we perform financial planning services outside the scope of our original Advisory Services Agreement. Because each client’s requirements for financial planning may vary in terms of complexity and financial position, our fees can vary significantly. A minimum and maximum planning fee is proposed by SFMG Wealth Advisors after an initial client meeting. The scope of financial planning services to be completed along with the total fee is outlined with the Advisory Services Agreement. Under the Financial Planning Fee Agreement, one-half of the minimum fee is due upon signing of the Advisory Services Agreement. We bill the remaining actual fee upon delivery of the financial plan and recommendations. The total fee we charge

will never exceed our estimated maximum fee unless the scope of the project changes in which case we will agree with you prior to incurring additional fees.

This fee is in addition to investment management fees. Should you elect to engage SFMG Wealth Advisors for Wealth Management Services, which includes both ongoing Financial Planning Services and Investment Advisory Services, Financial Planning fees paid in the prior 12 months will be credited against wealth management fees calculated as part of the new Advisory Services Agreement. Once the plan has been completed, we charge renewal financial planning fees based on the ongoing complexity of the updates and services provided.

Should you elect to terminate the engagement for financial planning services and do not wish to complete the process, prepaid and unearned fees will be refunded on a pro rata basis.

We have established relationships with corporations providing financial planning services to their executives. These services and fees are negotiated on a case-by-case basis, based on the requirements of the corporation. These fees are fully disclosed to the paying entity.

We also provide Other Financial Consultation services that may be outside the scope of services described above. For these services we charge on a flat-fee basis or hourly rate of \$350. In limited circumstances and based on the scope of work, this hourly rate may be negotiable.

Portfolio Management Fees

In very limited situations, you may engage us to provide only Portfolio Management services. The current annual rate for this service is as follows:

Portion of Investment Portfolio	Annual Rate
First \$1,000,000	1.00%
Next \$2,000,000	0.80%
Assets over \$3,000,000	0.60%

The method for calculating and paying this fee is the same practice as described under "Wealth Management Services" above.

Additional Fees

When we recommend a mutual fund for your account, you are typically charged three separate fees, either directly or indirectly. The first fee is our investment management fee where the fund is included in the asset base for the quarterly fee calculation. The

second is the set of internal fees charged by the investment company for the fund's investment management, marketing, administration and marketing assistance. These internal expenses are disclosed in each fund's prospectus which is provided to you by your account custodian. This set of fees also applies to any money market fund, ETF or ETN purchased in your account. The third fee is a transaction fee which is assessed by the custodian for its service of providing access to a universe of mutual fund families through one account (and the universe of funds available may vary from one custodian to another). To avoid such fees, you would be required to open a separate account with each individual mutual fund company instead of using the custodian we recommend. This would also negatively affect our ability to deliver our services efficiently. Not all mutual fund trades we purchase for client accounts incur this transaction fee. Some funds require a minimum holding period to avoid redemption fees.

Any SEC fees, commissions, transaction fees, etc., that are charged against your account(s) are separate from our management fee and will be deducted from your account by your custodian. We require that you use a "qualified custodian" to hold your publicly traded securities that we manage. Qualified custodians provide you with statements showing all holdings and transactions occurring in the account on a monthly or quarterly basis.

Some private equity funds we recommend are required to be held by a qualified custodian for tax reporting purposes. Currently, Schwab and Fidelity charge an "Annual Custody Fee" and Schwab charges a one time "Transaction Fee" to hold and report on these assets. These fees are in addition to our fees and the fees listed above.

SFMG does not directly or indirectly receive any compensation from the sale of securities or investments purchased or sold for your accounts.

ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

SFMG does not charge performance based fees (fee based on a share of capital gains on or capital appreciation of the assets of a client). In addition, we do not perform side-by-side management, such as managing hedge funds "side by side" with mutual funds. As described above, SFMG provides investment management services for a fee based upon a percentage of assets under management. Accounts that are managed in the same investment style may not be managed the same way due to the client's overall investment objective, asset size and account restrictions.

ITEM 7. TYPES OF CLIENTS

We provide investment advice to:

- Individuals and families
- high net worth individuals
- pension plans
- trust, estates or charitable organizations
- corporations or other business not listed above

We have a negotiable minimum client relationship size of \$1,000,000, which can be applied to a family of related accounts.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

The process of constructing your investment portfolio takes into consideration your financial objectives, the timeline for reaching your goals, and the return expectations. Our advisors create a portfolio that considers tax and cash flow factors. Our goal is to provide you with a portfolio that is more responsive to market risks than the typical “buy and hold” strategy.

Investment Team

Utilizing both institutional and proprietary research, our investment team weighs the evidence to identify changes in the market and economy and determine potential solutions to benefit your portfolio from both a risk and return perspective. The team monitors your portfolio and executes trades approved by the Investment Committee.

Investment Committee

We believe that a centralized decision-making process ensures uniformity and consistency of investment strategy. Our Investment Committee model serves to provide you best-in-class thinking and a system of checks and balances for important investment decisions. The Committee is made up of the Investment Team as well as SFMG’s Advisors. The Investment Committee meets monthly to discuss changes to the portfolio and asset allocations, economic updates, and market conditions.

Investment Policy

By understanding your goals through our comprehensive financial planning process, we are able to quantify the returns that are required to reach your longer-term objectives. We begin by developing a personal investment policy that will list such factors as risk tolerance, financial objectives, return expectations, time horizon, tax considerations, and ultimately the portfolio asset allocation. Your personal investment policy is the guide for how investment allocations are implemented.

Investment Strategy

A strategically sound portfolio should be able to respond to the longer-term trends of the economy and financial markets. We do not believe that it is possible to time the short-term moves of the markets efficiently, but as larger cyclical moves become evident, they require an appropriate response.

As a result, we incorporate both the traditional investment classes of equity, fixed income, and cash with investment vehicles such as mutual funds, ETFs, private equity, real estate, commodities, hedge fund strategies, and more in our unique sleeve approach of building your portfolio. We not only adjust the portfolio to follow market trends, but also monitor your risk tolerance given major changes in your situation or outlook. This approach to portfolio management uses tactical allocation changes and is based upon the decisions of our Investment Committee.

At the end of the day, our goal is to partner with you to make sure your portfolio reflects your long-term goals and short-term needs, as well as your overall tolerance for risk and volatility.

Alternative Investment Focus & Unique Sleeve Approach

Alternative investments are utilized in various investment vehicles including liquid mutual funds, illiquid funds, and limited partnership structures. We believe that diversifying with alternatives will be a very important part of portfolio construction in what is likely to be a more challenging environment going forward. The goal of supplementing traditional equity and fixed income with alternatives is to achieve differentiated return streams and reduce overall correlation back to those more traditional markets.

We will add to exposure each investment approach as we find opportunities to enhance overall returns with less correlation to interest rates or the stock market. SFMG uses sleeves to describe the various strategies used to create each client's individual portfolio. These strategies are described below:

Core Equity Sleeve

- Managed with a long-term perspective and is intended to stay fully invested throughout a full market cycle.
- Seeks flexibility in the management styles and techniques employed, ranging from fundamental indexing to growth vs. value bias. The goal is to create consistent returns relative to the large-cap stock market with diversified approaches.

Tactical Equity Sleeve

- Managed with a short to intermediate-term perspective and is also intended to stay fully invested throughout market cycles.

- Driven by fundamental and quantitative research as well as internal models, we seek to identify which areas of the markets are showing strength and where to focus on within the portfolio.

Individual Stock Sleeve

- Designed to give individual stock exposure and identify companies with positive attributes that as a combined whole may provide a beneficial risk/return profile.
- This sleeve consists of a limited number of stocks with diversification among U.S. sectors or industries.

Core Fixed Income Sleeve

- Managed with a long-term perspective and is intended to stay fully invested throughout a full market cycle.
- Involves selecting fund managers who implement dynamic views on interest rates, credit conditions, and global currencies. These managers actively adjust a blend of bond securities to manage risk, enhance yield, and offer total return potential.

Tactical Fixed Income Sleeve

- Managed with a short to intermediate-term perspective and is also intended to stay fully invested throughout market cycles.
- Involves the selection of fund managers who specialize in specific segments of the bond markets such as corporate bonds, mortgage loans, and municipal bonds.

Limited Term Income Sleeve

- The investment objective is achieving a level of yield higher than traditional money market funds while maintaining an emphasis on preservation of capital and liquidity.
- This will be executed by investing across multiple active mutual fund managers.
- Securities utilized may include but are not limited to U.S. government securities (mortgage-backed securities, treasuries, etc.), asset-backed securities, U.S. and foreign corporate debt, and investment grade municipal securities.

Fixed Income Alternatives

- We select less liquid investments with little correlation to interest rates or the equity market. They are typically used in quarterly liquid funds and less liquid limited partnerships.

Broad Market Equity & Fixed Income Sleeves

- Uses a mix of benchmark-like assets (i.e., S&P 500 & U.S. Aggregate Bond Index) to tactically manage risk within the portfolio by providing an overweight or underweight allocation to equities/fixed income.

- The allocation of the Broad Market Allocation Sleeve is guided by the SFMG Risk Model. This is a proprietary combination of internal and 3rd party market signals that can shift the portfolio's overall equity and fixed income allocation according to the changing market environment.
- As the signals become more positive, the model shifts away from equal weight towards overweight, decreasing the fixed income exposure (i.e., under weighting the treasury position) and increasing the equity exposure (i.e., over weighting the large cap stock position).
- Likewise, when the signals turn negative, the portfolio's allocation to equities is reduced and shifted into fixed income.
- The signals can move the Broad Market Allocation one or two positions at a time.

Private Equity

- These investments within limited partnership structures are illiquid with long-term horizons. Targeted areas of investment include multi-family apartments, industrial real estate, oil and gas, etc.

Liquid Alternatives (Equity and Fixed Income)

- We use a combination of typical hedge fund strategies in liquid mutual fund or ETF vehicles.

Risks of investing in the equity space include the volatility of individual stock positions resulting from any business, regulatory, or other risks specific to the individual company, in addition to overall market volatility. Indices, mutual funds, and ETFs include internal expenses and transaction fees that depress an investment's value compared to purchasing all positions directly. Other risks include country and currency risk when investing in international securities.

Risks of investing in the fixed income market include the same risks as investing in the equity market as well as interest rate risk, credit & default risk, and prepayment & reinvestment risk.

Risks of investing in Alternative Investments includes those discussed related to equity and fixed income investments as well as the potential for less liquidity and marketability than publicly traded securities. Some alternatives may also bear the risk of shorting positions that may be difficult to fill.

Some of our clients frequently invest in private equity. These investments are not suitable for all clients and are intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment. Investments in private equity may offer limited liquidity for long periods of time, and in some cases, clients may be restricted from withdrawing funds for certain periods of time. In addition, the

private equity funds are not traded on secondary markets, thus restricting the potential for selling these securities. The lack of a market makes it difficult to value the securities and often the valuation is determined solely by the fund manager or general partner. Lastly, private equity may carry a higher risk of failure because the funds are invested in companies or products that are in earlier stages of development. Clients should be aware they may lose the entirety of the investment.

When mutual funds are used to implement a portfolio, we choose from mutual funds available through our clients' account custodians. (We may also choose to maintain funds currently held by clients.) We perform our own due diligence in the selection of these mutual funds which includes an analysis of transaction fees, redemption fees and internal expenses. We make every effort to select funds and fund classes with the lowest cost to a client given assumptions of holding periods. We will purchase mutual funds paying 12b-1 fees only when this is the only share class available and we believe this is an appropriate investment. If we were to purchase such funds, the 12b-1 fees are paid to the broker dealer executing the trade, not to SFMG, in which case the broker dealer may provide us with additional benefits, creating a potential conflict of interest.

In limited circumstances, we also may place option trades in your account if authorizing account paperwork is in place and we believe option positions to be appropriate for your investment objective. It is possible for option trades to incur losses beyond the funds originally invested. Investment vehicles we recommend may use hedging strategies. Hedging is defined as making an investment to potentially reduce the risk of adverse price movements in another asset or group of assets. Hedging is not a guaranteed protection from loss.

Normally (in times of low volatility), we try and minimize turnover in the portfolio by holding investments for a year or longer. However, in times of unusual volatility, we may move in and out of a security more frequently. We may trade on margin for some clients, or make margin borrowing possible. Margin trading may require the liquidation of assets in your account if a margin call should occur during quickly dropping markets.

We structure an investment strategy for your portfolio which is tailored to likely meet your objectives. Risks vary according to the different strategies and particular holdings in each strategy, although all accounts are subject to market risk. In addition, some investments may be considered illiquid. Investing in securities involves risk of loss that you should be prepared to bear. If you invest in private equity funds, the fund's documents further explain the risks to investing in that particular issue. Past performance does not guarantee future results.

ITEM 9. DISCIPLINARY INFORMATION

Registered investment advisers such as SFMG Wealth Advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of SFMG or the integrity of SFMG's management. SFMG Wealth Advisors has no disciplinary information to disclose.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

One Wealth Advisor on our team holds a Group One insurance license which allows them to provide advice about life and health insurance as part of the financial planning process. They do not sell insurance products to clients.

Mr. Greenway is the managing member of HHIG, LLC, an entity owned by some of the Firm's Managing Directors and the pension fund of an entity owned by a Senior Wealth Advisor. HHIG, LLC has invested in other private equity funds in which some of our clients have also invested.

ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

We have adopted a Code of Ethics which describes the general standards of conduct that we expect of all Firm personnel (collectively referred to as "employees"). This code of ethics focuses on three specific areas where employee conduct has the potential to adversely affect you:

- misuse of confidential information
- personal securities trading and
- outside business activities

Failure to uphold the Code of Ethics will result in disciplinary sanctions, including possible termination of employment with us. All employees sign a confidentiality agreement and are required to review and acknowledge the Code of Ethics on an annual basis. You may request a copy of the Firm's Code of Ethics which will be provided to you at no cost.

The following basic principles guide all aspects of our business and represent the minimum requirements to which we expect employees to adhere. Your interests come before employees' personal interests and before the firm's. We must fully disclose all material facts about conflicts between our interests, our employees' interests, and your interests. Employees must operate on our behalf and on their own behalf consistently with our disclosures and to manage the impacts of any conflicts of interest. We must

not take inappropriate advantage of our position of trust or responsibility to you. We all must always comply with all applicable securities laws.

Misuse of Non-Public Information

The Code of Ethics contains a policy against the use of non-public information in conducting our business. Employees may not convey non-public information nor use it in placing personal securities trades or any trades for our clients.

Personal Securities Trading

Our personnel may buy, sell or hold in their personal accounts the same securities we buy, sell, or hold for you. Employees must obtain pre-approval from the Chief Compliance Officer before purchasing any IPO or private equity fund for any personal account.

To mitigate conflicts of interest, we have established the following policies in order to ensure our fiduciary responsibilities and to place your interests first:

- An officer, director or employee shall not buy or sell securities for a personal portfolio when the decision to purchase is substantially derived, in whole or in part, by reason of employment with us unless the information is also available to the investing public on reasonable inquiry.
- Compliance reviews all personal trades in light of our code of ethics and client trades on at least a quarterly basis. Reports of personal securities holdings are filed with the Compliance Team (which is led by the CCO) by all personnel and are reviewed at least annually.
- Infractions of our personal trading policies will be grounds for disciplinary action, including possible termination.

Outside Business Activities

Employees are required to report any outside business activities. If any such activities are deemed to be in conflict with clients, such conflicts will be fully disclosed, or the employee will be required to cease such activity.

ITEM 12. BROKERAGE PRACTICES

Selecting Broker/Dealers for Trades and Custody of Client Assets

We have entered into agreements with the following independent and unaffiliated broker dealers to serve as custodians for our clients' accounts: Charles Schwab & Co., Inc. ("Schwab"), Fidelity Institutional Wealth Services ("Fidelity"), American Funds and TD Ameritrade Institutional, a division of TD Ameritrade, Inc., Member FINRA/SIPC ("TD Ameritrade"). We also use Nationwide Advisory Solution to execute trades and hold clients' variable annuities.

We have selected these broker/dealers as custodians after analyzing their discounted commission structure, the availability of mutual funds with no transaction fee, their trading platforms, electronic reporting, online access for our clients, and financial stability.

Sometimes we participate in a trading service which enables trades to be placed through a broker other than the custodian ("Prime Broker"). When using Prime Broker services, Schwab, Fidelity, and TD Ameritrade usually assess a ticket charge for each security transaction. In these instances, we have the ability to select the executing broker. In selecting a broker or dealer, we consider, among other things, the broker's or dealer's execution capabilities, reputation, availability of product and quality of research.

We generally will seek competitive commission rates but will not necessarily attempt to obtain the lowest possible commission for transactions for your account(s). Sometimes we direct transactions to brokers in return for research they provide us. Such research generally will be used to service all of our clients, but brokerage commissions you pay could be used to provide research that is not used in managing accounts.

Schwab, Fidelity, and TD Ameritrade generally do not charge their account owners separately for custody services. These firms are compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through them or that settle into their accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions).

Research and Other Soft-Dollar Benefits

"Soft dollars" is a term applied to commission revenue generated by client trades which is then used to pay for services provided to an investment advisor. These services must benefit our clients and include research and other related services.

We do not have any formal soft dollar agreements; however, we do receive access to certain custodians' proprietary account management and data transmission services to enable us to trade clients' accounts electronically. Custodians of our clients' accounts also provide us with educational and compliance material, such as newsletters and access to seminars.

Additionally, Schwab, Fidelity, and TD Ameritrade make available to us other products and services that benefit us but may not benefit your accounts. As a fiduciary, we make every effort to act in your best interests. Our recommendation that you maintain your assets with particular custodians is based in part on some of the products and services they provide us. Our receipt of products and services from custodians creates a

potential conflict of interest with you. We generally allow clients to choose which of these custodians they prefer.

Some of these other products and services assist us in managing and administering your accounts. These include software and other technology that provide: access to client account data; the facilitation of trade execution and allocation of aggregated trade orders for multiple client accounts; research, pricing information and other market data; facilitation of payment of our fees from clients' accounts; and assistance with back-office functions, recordkeeping, and client reporting. Many of these services generally are used to service all or a substantial number of our client accounts.

Schwab, Fidelity, and TD Ameritrade also provide other services intended to help us manage and further develop our business. These services include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, our custodians make available, arrange and/or pay for these types of services rendered to us by independent third parties. Custodians could discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees charged by a third party providing these services to us.

Brokerage for Client Referrals

We trade accounts for clients who come to SFMG as a result of the Schwab Advisor Network at Schwab as long as the accounts are held there. (See Item 14 below for details on the relationship with the Schwab Advisor Network.)

Directed Brokerage

On rare occasion a client will request that trades be enacted through a specific broker. We prefer you use one of our recommended broker/dealers as your account custodian.

Order Aggregation

Some accounts sharing similar objectives hold the same investments, enabling us to trade in block trades for efficiency and to treat all clients fairly. If these blocks are executed in pieces at different prices on the same day at the same custodian, all shares participating in the block are assigned the same average price per share at the end of the day. Block trades enacted through Schwab, Fidelity or TD Ameritrade are charged transaction fees at the account level, so do not receive a transaction fee advantage. Blocks are allocated across accounts as appropriate, and our employees are able to participate in blocks with clients. In the rare event that a block order is partially filled, the shares would be allocated on a pro rata basis, with employees receiving no shares until all client orders are filled.

ITEM 13. REVIEW OF ACCOUNTS

Each quarter, clients will receive a portfolio report and invoice which has been reviewed by our Wealth Advisors for accuracy and alignment with the client's investment objective and risk tolerance. We encourage clients to meet with their Wealth Advisor at least annually. You are encouraged to keep us informed whenever there is a change to your financial situation. These changes might affect your investment needs, objectives, or time horizon, such as marriage, divorce, birth, death, or change in employment. This will allow us to take the appropriate action regarding the management of your portfolio or Financial Plan. In addition to the periodic reviews described above, reviews may be triggered by other events such as material changes in market conditions, news events, excess cash balances, or any other event SFMG deems significant.

As part of our ongoing Wealth Management services, which includes Financial Planning, SFMG may collaborate with the client to update their financial information for the purposes of updating financial planning summaries. Financial planning reports may consist of a balance sheet, cash flow statement, education analysis, retirement analysis, insurance needs analysis, and an investment review. The reports include any, or all, of the above or other situation-specific reports dependent upon each client's requests or financial situation.

Wealth Management and Investment Management clients receive quarterly reports reflecting the current portfolio allocation, list of holdings, activity summary, and respective account performance. In addition, the report will include an invoice reflecting a calculation of SFMG fees for informational purposes. Your account custodian provides statements to you on a monthly or quarterly basis, and includes valuation of holdings and transaction activity for the period. Clients also receive confirmations following trading transactions unless these confirmations have been waived by you. We urge you to compare the reports we send with those you receive from your custodian. As stated in Item 4 above, account balances between our statements and those you receive from your custodian can differ. We will provide you with a reconciliation between the two at your request.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

SFMG has many referral sources such as current clients, outside professionals including attorneys and accountants, personal friends, and family members. We may pay referral fees to properly registered independent contractors or Solicitors for introducing clients to us. The referring party receives a percentage of our fees or receives a fixed fee, as specified in the contract between that solicitor and us. All such referred clients sign a disclosure acknowledgement letter detailing this relationship and the fee arrangement. You pay the same fees to us regardless of whether or not you were introduced to us by an outside party receiving a referral fee.

Our Wealth Advisors may receive compensation based on new and existing client assets they generate, and other employees receive compensation for referring new clients based on the assets brought to SFMG. For additional disclosures for our Wealth Advisors, you may see their respective ADV Part 2Bs. We do not accept referral fees or any form of compensation from other professionals when we refer a prospect or client to them.

SFMG receives an economic benefit from our custodians in the form of the support products and services it makes available to independent advisors whose clients maintain accounts with them. The description of these products and services, how they benefit SFMG, and the related conflicts of interest are described above in Item 12 - Brokerage Practices. The offer for us to use their products and services is not based on us giving particular investment advice, such as recommending particular securities for client portfolios and does not result in any additional costs to our clients.

Schwab Advisor Network

SFMG receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through SFMG's participation in the Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with SFMG. Clients are to receive only those Forms 2Bs for the Advisors assisting with the particular client. Schwab does not supervise SFMG and has no responsibility for SFMG's management of clients' portfolios or SFMG's other advice or services. SFMG pays Schwab fees to receive client referrals through the Service. SFMG's participation in the Service may raise potential conflicts of interest described below.

SFMG pays Schwab a "Participation Fee" on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. This "Participation Fee" denotes SFMG's participation in the Schwab Advisor Network, not that Schwab participates in the management of any referred client accounts. The "Participation Fee" paid by SFMG is a percentage of the value of the assets in the client's account. This fee structure presents a potential conflict, in that SFMG may be incented to refrain from lowering a referred client's fee. SFMG pays Schwab the "Participation Fee" for so long as the referred client's account remains in custody at Schwab. The "Participation Fee" is billed to SFMG quarterly and may be increased, decreased or waived by Schwab from time to time. The "Participation Fee" is paid by SFMG and not by the client.

Clients referred through the Service will receive Schwab's Disclosure Document in addition to our Form ADV, and will be charged the SFMG customary Wealth Management fee rate listed under the section titled "Fees and Compensation." We oversee this Service by attending the initial meeting with a prospective referral along

with a Schwab employee, at which time the potential referral signs and receives a copy of the signed Schwab Disclosure Document.

SFMG generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the referred client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Advisor generally would pay in a single year. Thus, SFMG will have an incentive to recommend that a referred client's accounts be held in custody at Schwab, but we ultimately will recommend what we believe to be in the client's best interest.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of SFMG's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, SFMG will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit SFMG's fees directly from the accounts.

For accounts of SFMG's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from SFMG's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, SFMG may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. SFMG nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for SFMG's other clients. Thus, trades for accounts maintained at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

ITEM 15. CUSTODY

Custody is defined as an investment advisory firm, its related entities, and/or its personnel having direct access to your funds or securities. We protect your assets by requiring that you use a "qualified custodian" that sends your account statements at least quarterly. All of the custodians we recommend are qualified. The reports you receive from SFMG on a quarterly basis may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain

securities. We urge you to carefully review your reports promptly and compare them to statements provided by your account custodian. If significant discrepancies are found, you should notify the custodian and SFMG.

Two of our investment advisor representatives serve as trustees for some client accounts managed by SFMG. Because of these activities, SFMG has custody of funds and/or securities in each of these accounts. These accounts are examined annually on a surprise basis by an outside public accounting firm.

ITEM 16. INVESTMENT DISCRETION

By granting SFMG a Limited Power of Attorney, you are providing trading discretion, which allows us to place trades in your account(s) without obtaining prior permission from you. This discretionary authority means that we have the ability to determine the timing, amount, and for which securities are bought or sold in your account, allowing us to make investment decisions necessary to carry out your investment objectives. You may limit or restrict our discretion in writing.

Investments made in private equity funds are non-discretionary and are governed by separate agreements and subscription documents that require client approval for each investment.

We will only direct the transfer of funds to an account bearing the same registration as the account we manage for you, with the exception of the deduction of our management fees or with a release which you have signed.

ITEM 17. VOTING CLIENT SECURITIES

In accordance with our policies and procedures, as well as SFMG Wealth Advisors' Advisory Agreement, we do not have the authority to, and do not, vote proxies on your behalf. You will receive proxy voting material or other solicitations directly from your custodian. Therefore, you retain the responsibility for receiving and voting proxies for any and all securities maintained in your accounts. You are welcome to contact us if you do not understand a particular issue you are being asked to vote on so we can assist you in making an informed decision.

ITEM 18. FINANCIAL INFORMATION

In anticipation of any possible adverse impacts to our firm as a result of Covid-19, we applied for and received a PPP loan. This was done in order to ensure our ability to retain our highly skilled employees. Otherwise, there is no financial condition that is likely to impair our ability to continue to provide services to you throughout our relationship.