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**ITEM 1. COVER PAGE**

This brochure provides information about the qualifications and business practices of SFMMG Wealth Advisors. If you have any questions about the contents of this brochure, please contact Crystal Billing, Chief Compliance Officer, at 972-960-6460 or [Crystal@sfmtg.com](mailto: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. SFMMG Wealth Advisors is a registered investment advisor. Registration with any securities authority does not imply a certain level of skill or training.

Additional information about SFMMG Wealth Advisors is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for SFMMG Wealth Advisors is 107548.

## ITEM 2. MATERIAL CHANGES

Since our last filing in June 2024, SFMG has had the following material changes:

1. Firm's address (3960 Dallas Parkway, Ste 400, Plano TX 75093) changed per cover page

*Our clients are strongly encouraged to read this Brochure in its entirety prior to engaging SFMG Wealth Advisors for wealth management 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, (“SFMG” or “Firm” or “we” or “us”) has collectively been in business since 1992. SFMG Wealth Advisors is collectively owned by Managing Directors; Ryan Blair, Kevin Margolis, J. Taylor Nipp, and Shashin Shah. In addition, as of January 1, 2022, the Executive Committee members Crystal Billing, Garrett Cayet, and Melissa Hawkins, and employees Devin DeLapp, Tyler Floyd, Nick Gaumer, and Shannon Pope have become equity stakeholders as well.

SFMG is a Dallas area wealth management firm comprised of professionals with a variety of unique backgrounds and experiences. Our mission is to deliver unbiased advice while building client loyalty through extraordinary personal service. Our team offers high-touch, personalized wealth management for individuals and families in a variety of life stages. We approach each client relationship from a planning perspective, integrating our comprehensive financial planning process with the management of your investment assets. We see this as an ongoing, dynamic relationship rather than a one-time event. Our aim is to provide advice that meets your needs and is demonstrated through our core values to:

- Passionately protect our clients’ best interest
- Maintain objectivity and transparency
- Provide exceptional client service
- Approach decisions with discipline and analytical rigor
- Promote a culture of collaboration, diversity, and opportunity
- Encourage innovation and ongoing improvement, and
- Proactively impact our community

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. The 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 skilled professionals that can simplify your life and integrate all of your financial professionals and decisions.

### ***Types of Advisory Services***

We provide personalized Wealth Management services, which are comprised of both Financial Planning and Investment Management. Under very limited circumstances, we may provide Financial Planning or Investment Management services on a standalone basis as negotiated by

the client. Our clients retain absolute discretion over all such implementation decisions and are free to accept or reject any recommendations from SFMG and/or its representatives.

As a fiduciary, we listen to you and place your interest above the interest of the firm. 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 seek to create a strategy that can help you achieve your goals. Our wealth advisors develop a clear roadmap that fully leverages your available resources and circumstances 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.

We strive to keep you informed every step of the way. To that end, we provide regular reviews and reports of your overall financial situation as well as your portfolio. Our team is 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 discussed and up to date.

Our wealth management services could include the following based on your individual circumstances, but is not limited to:

- Portfolio Management, including the use of
  - Mutual funds
  - Exchange Traded Funds
  - Alternate investments
  - Private Equity
  - Private Credit
  - 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 is customized based on the individual needs of our the client and could include the following:

- 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 seeks to protect and distribute your assets to 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 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 while seeking to minimize the tax implications. We also assist with the review and implementation of other corporate benefits.
- Charitable Planning  
We compare solutions ranging from donor-advised funds to private foundations. We then help you direct your giving through tools that seek to provide the maximum impact for your selected charitable causes and attempt to maximize your tax benefit.

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 and aligns with your financial plan.

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 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.

### **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 in writing.

### **Consultations**

In addition to financial planning and investment management, we provide individualized consultations on selective financial matters to clients. Clients are charged an hourly or fixed rate for this service. Refer to Item 5 for information regarding our consultation fees.

### **Wrap Fees**

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

### **Sub-Advisory Arrangements**

SFMG uses sub-advisors to assist and provide advisory services in the capacity of sub-advisor for certain clients to manage a portion of their assets in a manner consistent with the client’s financial circumstances, investment objectives and risk tolerance.

### **Retirement Account Services**

We are deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (“IRAs”) pursuant to the Employee Retirement Income and Securities Act (“ERISA”), and regulations under the Internal Revenue Code of 1986 (“the Code”), respectively. As such, we are subject to specific duties and obligations under ERISA and the Code that include among other things, restrictions concerning certain forms of compensation.

We may assist you with retirement plan accounts and this assistance may present a conflict of interest. When you leave an employer there are typically four options regarding an existing retirement plan account and you may use a combination of these options; 1) if permitted, leave the funds in your former employer’s plan, 2) if roll overs are permitted and you have new employer with a plan available, roll over the funds to your new employer’s plan, 3) roll over to an Individual Retirement Account (“IRA”), or 4) withdraw or cash out your funds from the plan

which may have adverse tax consequences depending on your age. When we recommend that you roll over your retirement plan assets into an account to be managed by us, such a recommendation creates a conflict (benefit to us) when we earn an advisory fee on your rolled over funds. You are under no obligation to roll over retirement plan assets to an account managed by us.

### **Client Assets Under Management**

As of December 31, 2023, SFMG managed approximately \$2,248,640,269 of client assets. Approximately \$2,056,409,523 is managed on a discretionary basis, and approximately \$192,230,745 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.

For Wealth Management services, SFMG charges an annual wealth management fee based on the total assets under management as follows:

Investment Assets Under Management	Annual Rate
First \$1,000,000	1.25%
Next \$2,000,000	0.80%
Assets over \$3,000,000	0.60%

This is a blended fee schedule, meaning different asset levels are assessed different fees, as shown above. Your assets will be assessed a fee at each level, then those fees are combined for your overall fee. For example, a client with \$5,500,000 under management would pay an annualized rate of 1.25% on the first \$1,000,000, 0.80% on the next \$2,000,000 and 0.6% on the next \$2,500,000, for a blended rate of 0.79%. Fees are billed quarterly, in advance, based on the portfolio valuation as determined by the account custodian, third-party administrator, or other valuation measures, at the close of market on the last business day of each quarter. The annual fee is negotiable based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with Clients, etc.). Lastly, please note that SFMG may group certain related Client accounts, often known as “householding,” for the purposes of achieving the minimum account size and in order to attain the lowest fee rate across all accounts.

SFMG believes its fees are reasonable in relation to the fees charged by other investment advisers. The amount and method by which fees are charged is established in each client’s written agreement with SFMG.



Fees related to accounts for new client relationships 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 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. Flows into an account on a single day totaling under \$5,000 will be considered de minimis and excluded from the billing calculation.

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

Not all of our clients are on the same fee schedule, as our fees, and the assets we bill on, have changed over the life of the firm. Additionally, our fees are negotiable, and we reserve the right to negotiate any fees based on numerous factors. Therefore, some clients pay more or less than others for similar services.

We do not purchase securities on margin as a practice, but accounts may go into margin temporarily due to pending trade settlements from other firm directed trades. Therefore, at times, clients may incur margin interest costs because of these transactions. There are times when a client will choose to use margin as a form of 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" because of a cash distribution. These overdraft margin amounts are usually covered within a few days, but as a result, the client may incur margin interest costs. However, if the overdraft margin amounts are in place at quarter end, they are netted with the investment values when calculating the management fee.

If you have invested in a private partnership 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 partnership'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 are 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 partnership 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 partnership positions not held at the custodian

SFMG utilizes relationships with subadvisors to offer specific strategies in line with the client's goals and objectives. If a client elects to invest in one of the strategies that use a subadvisor, additional management fees may apply. This information is provided through the materials of the subadvisor that are provided to clients before investment. These fees will be reported on client statements as "Managed account fees".

The Advisory Services Agreement may be terminated by either party immediately upon receipt of written notice from the other party. If you terminate within 5 days, all fees will be refunded. For any termination beyond 5 days, we will 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 and using 90 days as a quarter. Upon termination of the Client Agreement, we have no obligation to take any action regarding investments in your account(s).

In the rare cases where we negotiate standalone services, such as being engaged for Financial Planning only, the fees for those services are negotiable and will be identified on an individual 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.

### Consultation Fees

Fees for consultations are charged on an hourly or fixed basis. Fees may be payable in advance or at the conclusion of the services, depending on the particular service. Either the client or SFMG may terminate the agreement effective immediately upon receipt of notice in writing. Unearned prepaid consultation fees will be refunded by us to the client within 30 days of termination.

### Additional Fees

When we recommend an open-end 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, exchange-traded funds, or exchange-traded note 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 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 fund company instead of using the custodian we recommend. This would also negatively affect our ability to deliver our services efficiently. Not all open-end 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 partnerships we recommend are required to be held by a qualified custodian for tax reporting purposes. Currently, Schwab and Fidelity charge an "Annual Platform Fee" and Fidelity charges a "Transaction Fee" per fund 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 generally 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

SFMG seeks to have a minimum relationship size of \$1,000,000 for Wealth Management clients but does reserve the right to waive these minimums or accept or decline a potential client for any reason in its sole discretion.

SFMG has a Wealth Advisor who holds the Certified Divorce Financial Analyst designation. Through this designation they can provide consulting services to clients involved in the Collaborative Law Divorce Process.

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

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. We structure an investment strategy for your portfolio which is tailored with the goal to help meet your objectives.

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.

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 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.

### *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 also conducts due diligence on outside managers and subadvisors on an initial and ongoing basis once engaged. The team monitors your portfolio and executes trades discussed with 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 with 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 regularly to discuss changes to the portfolios 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 would be required to reach your longer-term objectives. We begin by developing a personal investment policy statement that documents aspects of your risk tolerance, financial objectives, time horizon and ultimately the portfolio asset allocation. Your personal investment policy statement is the guide for how investment allocations are implemented.

### *Alternative Investments*

Alternative investments are utilized in various investment vehicles including liquid mutual funds, illiquid funds, and partnership structures. 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.

### *Personal Values Based Investing*

We offer two options for clients who prioritize Personal Value considerations in their portfolios. They can integrate recommendations through a Values focused ETF or by working with a specialized third-party manager. The ETF option allows for diversification by investing in companies that meet specific criteria. Alternatively, the third-party manager approach provides expertise in selecting investments aligned with the client's unique preferences.

### **Methods of Analysis**

Investing in securities involves risk of loss that Clients should be prepared to bear. Past performance is not a guarantee of future returns. Security analysis methods may include:

- Fundamental analysis concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage purchasing stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.
- Technical analysis attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not consider new patterns that emerge over time.
- Cyclical analysis assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are twofold: 1) the markets do not always repeat cyclical patterns; and 2) if too many investors begin to

implement this strategy, then it changes the very cycles these investors are trying to exploit.

- Quantitative analysis deals with measurable factors as distinguished from qualitative considerations such as the character of management or the state of employee morale. Examples include the value of assets, the cost of capital, historical projections of sales, and so on.
- Modern portfolio theory is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various assets.

The development of financial plans for Clients, may include various analyses surrounding cash flow, investments, risk management, taxes, and estate planning. Based on the information gathered, a detailed strategy is tailored to the Client's specific situation.

### ***Risk of Loss***

Investing in securities involves risk of loss that Clients should be prepared to bear. SFMG's investment approach constantly keeps the risk of loss in mind. The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment with SFMG. Investors may face the following investment risks:

**General Investment and Trading Risks.** Clients may invest in securities and other financial instruments using strategies and investment techniques with significant risk characteristics. The investment program can utilize such investment techniques as option transactions, margin transactions, short sales, leverage, and derivatives trading, the use of which can, in certain circumstances, maximize the adverse impact to which a client may be subject.

**Interest-rate Risk.** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

**Inflation Risk.** When any type of inflation is present, a dollar today will buy more than a dollar next year, because purchasing power is eroding at the rate of inflation.

**Currency Risk.** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Reinvestment Risk.** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

**Liquidity Risk.** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

**Management Risk.** The advisor's investment approach may fail to produce the intended results. If the advisor's assumptions regarding the performance of a specific asset class or fund are not realized in the expected time frame, the overall performance of the Client's portfolio may suffer.

**Cybersecurity Risk.** SFMG and its service providers may be subject to operational and information security risks resulting from cyberattacks. Cyberattacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cybersecurity breaches. Cybersecurity attacks affecting SFMG, and its service providers may adversely impact Clients. For instance, cyberattacks may interfere with the processing of transactions, cause the release of private information about Clients, impede trading, subject SFMG to regulatory fines or financial losses, and cause reputational damage. Similar types of cybersecurity risks are also present for issuers of securities in which Clients may invest in, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions. Although SFMG has established its systems to reduce the risk of these incidents from coming to fruition, there is no guarantee that these efforts will always be successful, especially considering that SFMG does not directly control the cybersecurity measures and policies employed by third party service providers.

**Options Trading.** The risks involved with trading options are that they are very time sensitive investments. The buyer of an option could lose his or her entire investment even with a correct prediction about the direction and magnitude of a particular price change if the price change does not occur in the relevant time period (i.e., before the option expires). Additionally, options are less tangible than some other investments. An option is a "book-entry" only investment without a paper certificate of ownership.

**Trading on Margin.** In a cash account, the risk is limited to the amount of money that has been invested. In a margin account, risk includes the amount of money invested plus the amount that has been loaned. As market conditions fluctuate, the value of marginable securities will also fluctuate, causing a change in the overall account balance and debt ratio. As a result, if the value of the securities held in a margin account depreciates, the Client will be required to deposit additional cash or make full payment of the margin loan to bring the account back up to maintenance levels. Clients who cannot comply with such a margin call may be sold out or bought in by the brokerage firm.

**Exchange-Traded Funds.** ETFs are a type of index fund bought and sold on a securities exchange. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile and ETFs have management fees that increase their costs. ETFs are also subject to other risks,

including: (i) the risk that their prices may not correlate perfectly with changes in the underlying reference units; and (ii) the risk of possible trading halts due to market conditions or other reasons that could make trading in the ETF inadvisable.

**Mutual Fund Risks.** An investment in mutual funds could lose money over short or even long periods. A mutual fund's share price and total return are expected to fluctuate within a wide range, like the fluctuations of the overall stock market.

**Common Stocks and Equity-Related Securities.** Certain ETFs or mutual funds hold common stock. Prices of common stock react to the economic condition of the company that issued the security, industry and market conditions, and other factors which may fluctuate widely. Investments related to the value of stocks may rise and fall based on an issuer's actual and anticipated earnings, changes in management, the potential for takeovers and acquisitions, and other economic factors. Similarly, the value of other equity-related securities, including preferred stock, warrants, and options may also vary widely.

**Small- and Mid-Cap Risks.** Certain ETFs and mutual funds hold securities of small- and mid-cap issuers. Securities of small-cap issuers may present greater risks than those of large-cap issuers. For example, some small- and mid-cap issuers often have limited product lines, markets, or financial resources. They may be subject to high volatility in revenues, expenses, and earnings. Their securities may be thinly traded, may be followed by fewer investment research analysts, and may be subject to wider price swings and thus may create a greater chance of loss than when investing in securities of larger-cap issuers. The market prices of securities of small- and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments, and to market rumors than are the market prices of large-cap issuers.

**Futures, Commodities, and Derivative Investments.** Certain ETFs and mutual funds hold commodities, commodities contracts, and/or derivative instruments, including futures, options, and swap agreements. The prices of commodities contracts and derivative instruments, including futures and options, are highly volatile. Payments made pursuant to swap agreements may also be highly volatile. Price movements of commodities, futures and options contracts, and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures, options, and swap agreements also depends upon the price of the commodities underlying them. In addition, Client assets are subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties.

**Highly Volatile Markets.** The prices of financial instruments can be highly volatile. Price movements of forward and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and



economic events and policies. Clients are also subject to the risk of failure of any of the exchanges on which their positions trade or of their clearinghouses.

**Non-U.S. Securities.** Certain ETFs and mutual funds hold securities of non-U.S. issuers. Investments in securities of non-U.S. issuers pose a range of potential risks which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political or social instability, illiquidity, price volatility, and market manipulation. In addition, less information may be available regarding securities of non-U.S. issuers, and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards, and requirements comparable to or as uniform as those of U.S. issuers.

**Emerging Markets.** Certain ETFs and mutual funds hold securities of emerging markets issuers. In addition to the risks associated with investments outside of the United States, investments in emerging markets (i.e., the developing countries) may involve additional risks. Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally, and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. When seeking to sell emerging market securities, little or no market may exist for the securities. In addition, issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices, and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices.

**Capitalization Risks.** Investing in Companies within the same market capitalization category carries the risk that the category may be out of favor due to current market conditions or investor sentiment.

**Market Risks.** Turbulence in the financial markets and reduced liquidity may negatively affect the companies, which could have an adverse effect on each of them. If the securities of the Companies experience poor liquidity, investors may be unable to transact at advantageous times or prices, which may decrease the Company's returns. In addition, there is a risk that policy changes by central governments and governmental agencies, including the Federal Reserve or the European Central Bank, which could include increasing interest rates, could cause increased volatility in financial markets, which could have a negative impact on the Companies. Furthermore, local, regional, or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions, or other events could have a significant impact on the Companies. For example, the rapid and global spread of a highly contagious novel coronavirus respiratory disease, designated COVID-19, has resulted in extreme volatility in the financial markets and severe losses; reduced liquidity of many Companies' securities; restrictions on international and, in some cases, local travel; significant disruptions to business operations (including business closures); strained healthcare systems; disruptions to supply chains, consumer demand and employee availability; and widespread uncertainty regarding the duration and long-term effects of this pandemic. Some sectors of the economy and individual issuers have

experienced particularly large losses. In addition, the COVID-19 pandemic may result in a sustained economic downturn or a global recession, domestic and foreign political and social instability, damage to diplomatic and international trade relations and increased volatility and/or decreased liquidity in the securities markets. The Companies' values could decline over short periods due to short-term market movements and over longer periods during market downturns.

**Inverse and Leveraged Products.** These products are aggressive in nature and carry unusual and significant risks. They are not appropriate for inexperienced investors. These products are intended to be used/traded daily. Most leveraged and inverse ETFs reset on a daily basis and have published prospectuses that state (1) they are designed to achieve their stated objective within one day, (2) clients can lose all of their investment potentially in one day, and (3) holding these securities for periods longer than one day could lead to losses even if the underlying index moves in the anticipated direction. Regulatory organizations, such as FINRA & SEC, have released alerts stating that inverse and leveraged ETFs that reset daily typically are not suitable for retail investors who plan to hold them longer than one day. Managers may hold these products in client accounts for periods of time significantly greater than one day. Investors with holding periods longer than a day expose themselves to substantial risk as the holding period returns will deviate from the returns to a leveraged or inverse investment in the index. It is possible for an investor in a leveraged ETF to experience negative returns even when the underlying index has positive returns.

**Penny Stock Risks.** Generally, Penny Stocks are low-priced shares of small companies that are not traded on an exchange. Penny Stocks typically trade over the counter, such as on the OTC Bulletin Board or Pink Sheets. Penny Stocks, unlike listed stocks, are not subject to SEC reporting requirements or the listing standards of stock exchanges. Because of this, information about the Penny Stock companies can be difficult to find and verify. Penny Stocks also have lower liquidity as they are traded less frequently. This also leads to higher volatility. For these reasons, Penny Stocks are considered to be speculative investments and Clients who trade in Penny Stocks should be prepared for the possibility that they may lose their entire investment, or an amount in excess of their investment if they purchased Penny Stocks on margin.

**Alternative Investments.** The risk of investing in these 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.

**Private Partnerships.** 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 partnerships 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 partnership 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 partnerships 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. If you invest in private partnership funds, the fund's documents further explain the risks to Investing in that issue. Past performance does not guarantee future results.

SFMG cannot provide any guarantees that a client's financial goals and objectives will be met.

#### **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**

Confidence Period, LLC is an entity formed by the Managing Directors of SFMG for the purpose of investing in private investment opportunities. SFMG may also recommend these private funds to advisory clients, when suitable for SFMG clients. By way of Confidence Period, LLC, the Managing Directors of SFMG could indirectly benefit. SFMG acknowledges that this arrangement is a potential conflict of interest, however, we have implemented stringent measures to ensure that our clients' interests remain paramount and unaffected via adherence to policies that only suitable recommendations are made to SFMG clients. In addition, the conflict is mitigated through the administration of SFMG's Code of Ethics.

SFMG provides investment management services to a private fund that SFMG also recommends to advisory clients. Investment management to the fund is limited to uninvested cash held by the fund. The fund pays SFMG an advisory fee for these services, which becomes an expense that is passed through to the limited partnership investors. Investors in the fund also pay SFMG an advisory fee on the total amount invested in the fund. This presents a conflict as limited partner investors in the fund will also be indirectly paying an investment advisory fee to SFMG on their capital invested in the fund.

One Wealth Advisor on our team holds a Group One insurance license which allows this advisor to provide advice about life and health insurance as part of the financial planning process. Although this advisor maintains an insurance license, the advisor is not affiliated with any insurance agency or company and does not sell any insurance products.

## 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 the 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 the conduct of 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 investing in a private partnership fund for any personal account.

To mitigate conflicts of interest, we have established the following policies 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 considering 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 on any outside business activities. If any such activities are deemed to 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"), and Capital Group Funds. 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 fees, 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 and Fidelity 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 with. Such research generally will be used to service all of our clients, but the brokerage commissions you pay could be used to provide research that is not used in managing accounts.

Schwab and Fidelity 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 research and 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 and Fidelity 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 a particular custodian is based in part on some of the products and services they provide us with. 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 and Fidelity 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.

### **Directed Brokerage**

SFMG recommends that its clients utilize the brokerage and custodial services provided by Schwab. The Firm generally does not accept directed brokerage arrangements (but could make exceptions). A directed brokerage arrangement arises when a client requires that account transactions be affected through a specific broker-dealer/custodian, other than one generally recommended by the SFMG (i.e., Schwab). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Firm will not seek better execution services or prices from other broker-dealers or be able to batch the client's transactions for execution through other broker-dealers with orders for other accounts managed by SFMG. As a result, a client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

### **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 or Fidelity are charged transaction fees at the account level, so they do not receive a transaction fee advantage. Blocks are allocated across accounts as appropriate, and our employees can 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, SFMG generates client portfolio reports and invoices which are 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, SFMG may collaborate with the client to update their financial information for the purpose of updating financial planning summaries. Wealth management review 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.

Clients receive quarterly reports reflecting the current portfolio allocation, list of holdings, activity summary, and respective performance of their portfolio. 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 and we compensate third parties for client referrals. Those receiving referral fees are registered as endorsers (“solicitors”). When a prospect is referred to us by a compensated third party, it will be disclosed at the time of the referral. We also provide additional information describing the nature of our arrangement with the third party. SFMG will pay the endorser/solicitor a referral fee in accordance with the requirements of Rule 206(4)-1 of the Advisers Act and the rules set forth by the respective state jurisdictions. A third party, if they are paid more than \$1,000 over a 12-month period, must be engaged by written agreement to be compensated for referring prospects to us. Per our written agreements, the parties we compensate only receive compensation after a prospect executes our client agreement becoming a client. A referred client pays no additional fee for the referral; to the contrary, the fee we earn is reduced by the amount paid to the third party. Clients may request details regarding a particular third party’s referral agreement by contacting us at the contact information provided on the first page of this document.

SFMG shall provide the client with a copy of this Form ADV Part 2A and a copy of the disclosure statement containing the information set forth in Rule 206(4)-1 of the Advisers Act at the time the prospect becomes a client. .

Endorsers/solicitors have a financial incentive to gather assets for the firm.

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 revenue 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 the 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 a particular security for client portfolios and does not result in any additional costs to our clients.

### 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 custodians we recommend are qualified.

We have custody of your assets to the extent that we have the authority to instruct the custodian to deduct our fee directly from your account. This fee deduction is reported to you quarterly in the statements you receive from your custodian, and you should contact us if you have any question about the accuracy of the fee calculation.

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.

Several clients have established instructions with their custodian which allow clients to direct us to send funds from their account with standing instructions. SFMG is considered to have custody over some of these accounts since the amount and/or timing of these transfers are not pre-defined. However, this authority does not necessitate that an outside public accountant conduct surprise examinations of these accounts.

One of our investment advisor representatives serves as trustee for some client accounts managed by SFMG. Because of these activities, SFMG has custody of funds and/or securities in each of these accounts. Under very limited situations, SFMG has been provided access to client login credentials for accounts that are not managed by SFMG. For some of these accounts, we are also deemed to have custody. These accounts are examined annually on a surprise basis by an outside public accounting firm.

We use a third-party platform to facilitate management of held away assets such as defined contribution plan participant accounts, with discretion. The platform allows us to avoid being considered to have custody of Client funds since we do not have direct access to Client log-in credentials to affect trades. SFMG has the authority to trade in the client’s plan account on a discretionary basis without possessing the client’s id and password to the account. We are not affiliated with the platform in any way and receive no compensation from them for using their platform. A link will be provided to the Client allowing them to connect an account(s) to the platform. Once Client account(s) is connected to the platform, SFMG will review the current account allocations. When deemed necessary, we will rebalance the account considering client

investment goals and risk tolerance, and any change in allocations will consider current economic and market trends.

#### **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 can 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 partnership funds are done on a non-discretionary basis and are governed by separate agreements and subscription documents that require client approval for each investment.

#### **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**

There is no financial condition that is likely to impair our ability to continue to provide services to you throughout our relationship. The firm does not require nor solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance of the onset of providing services.