

CALLAWAY FINANCIAL SERVICES, INC.

Regulation Best Interest Disclosure

Regulation Best Interest Disclosure discloses important information concerning terms and scope of the brokerage services that Callaway Financial Services, Inc (CFSI or Firm) provides to retail investors. In addition, CFSI may offer broker dealer services to a Registered Investment Advisor which in turn provides services to retail investors like you. The Disclosure Statement is effective June 30, 2020. CFSI is an introducing broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member firm of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC).

CFSI is a broker-dealer and provides brokerages services to our retail investors. In addition, CFSI may provide broker dealer services to a Registered Investment Advisor (RIA) which in turn provides services to retail investors like you.

Brokerage services and investment advisory services are different from each other and the fees you pay are different. It is important for you to understand these differences. Please note that not all our financial professionals are licensed to provide both brokerage services and advisory services. Some are only licensed to provide brokerage services. If you would like to utilize independent advisory services, CFSI can make the appropriate arrangements to facilitate that, however no customer is required to utilize the independent advisor recommended by CFSI.

“Is a Brokerage Account Right for You?”

There are different ways you can get help with your investments. You should carefully consider which types of accounts and services are right for you. We are a broker-dealer and provide brokerage accounts and services rather than advisory accounts and services. This document gives you a summary of the types of services we provide and how you pay. Please ask us for more information.

Note that free and simple tools are available to research firms like CFSI and financial professionals including those associated with CFSI at <https://www.investor.gov/CRS>, which also provides educational materials about broker-dealers, investment advisers, and investing.

We are also required to provide you with our Form CRS that contains information about services we offer, together with compensation, conflict of interest, disciplinary history, and any reportable legal information.

Brokerage Services

We provide brokerage services to retail customers by executing buy and sell orders submitted by an investor for a fee. If you choose to hire us and your financial professional to provide these services, we will establish for you one or more accounts and will provide the following:

If you open a brokerage account, you will pay us a transaction-based fee, generally referred to as a commission, every time you buy or sell an investment.

In providing brokerage services, neither your financial professional nor the firm will provide investment advice in a fiduciary capacity for special compensation as RIAs provide in conjunction with its investment

advisory services. Rather, any investment advice CFSI provides in conjunction with brokerages services will be incidental to CFSI's primary business as a broker-dealer, which is selling, buying, and exchanging securities,

It is your responsibility to decide whether to follow any recommendation by your financial professional. Neither CFSI nor your financial professional exercises discretion over the assets in your account. CFSI buys, sells, and exchanges many kinds of securities, but your financial professional may recommend only those securities he or she is licensed to recommend.

Your account may be invested in a variety of securities including stocks, bonds, mutual funds, exchange-traded funds, variable annuities, and other publicly traded securities. You are not able to invest in every fund available in the marketplace. However, CFSI makes available several hundred mutual funds and exchange traded funds in which you may invest.

Brokerage Recommendation and Monitoring

We must abide by certain laws and regulations in our interactions with you. When we provide you with a recommendation as your broker dealer, we must act in your best interest and not put our interest ahead of yours. When we provide any service to you, we must treat you fairly and comply with a number of specific obligations. Unless we agree otherwise, we are not required to monitor your portfolio or investments on an ongoing basis.

Our interests can conflict with your interest. When we provide recommendations, we must eliminate these conflicts or tell you about them and in some cases reduce them. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the recommendations and investment advice, we provide you.

Risk Associated with Brokerage Recommendation

All investment recommendation involve risk. Account value changes upon market changes and other reasons. Investments with higher risk may have potential for higher returns but also for bigger losses. When opening your account, we ask you about your risk tolerance, time horizon and investment objective. Risk tolerance can be low, moderate, high, or very high. We also ask you to identify your time horizon and investment objective. We have the following investment objectives:

- Capital Preservation- very conservative, focus is on preservation of principal & current income
- Income and Moderate Growth-Conservative Growth, focus is on income with secondary focus on moderate capital growth.
- Growth and Income- Moderate Growth, focus is on modest growth with some focus on current income.
- Growth- Focus is on generating long term capital growth, there is little focus on current income.
- Aggressive Growth-Focus on generating growth and maximum capital appreciation. This objective is for investors that are willing to assume a higher level of risk as well as investors that have longer time horizons

Brokerage Fees

Fees and costs affect the value of your account over time. Transaction fees vary from product to product and are disclosed in trade confirmations and prospectuses. Please ask your financial professional to give you personalized information on the fees and costs that you will pay.

Transaction-based fees. You will pay us a fee every time you buy or sell an investment. This fee, commonly referred to as a commission, is based on the specific transaction and not the value of your account. The fee you pay is based on the specific transaction and not the value of your account.

Commissions/Mark-Ups/Mark-Downs: With stocks or exchange-traded funds, this fee is usually a separate commission. With other investments, such as bonds, this fee might be part of the price you pay for the investment (called a “mark-up” or “mark down”). A commission is dollar amount CFSI receives each time it buys or sells a security other than a mutual fund when CFSI acts as your agent. These fees are paid from your account. A mark-up is the difference between what CFSI charges you for the security and the value of the security when CFSI sells you a security in a principal transaction. A mark-down is the difference between the price CFSI pays you for the security and the value of the security when CFSI purchases the security from you in a principal transaction.

Loads and Contingent Deferred Sales Charges: With mutual funds and Variable Annuities, this fee (typically called a “load”) reduces the value of your investment. A “load” is the dollar amount CFSI receives each time it purchases or redeems a mutual fund share. These fees reduce the number of shares you receive when you purchase a fund's shares and reduce the number of shares you receive when you redeem the fund's shares.

Other Mutual Fund Fees: The "12b-I fees" are fees paid by the mutual funds to CFSI for selling the funds. The mutual funds also pay CFSI "shareholder servicing fees" and "sub-transfer agent fees" for the provision of other services. All these fees are based upon a percentage of the CFSI client assets invested in the mutual funds. These fees are not paid from your account, but rather are paid from the mutual fund. The result of such fees is that the value of fund shares held in your account decreases.

For variable annuities we receive a commission from the issuer based on paid premium to the contract. This amount is not deducted from your investment. For example, if you put \$100,000 into variable annuity contract the entire payment is invested.

Other Fees: CFSI will charge fees for several services it provides that are apart from the brokerage and advisory services we describe above. For example, we may charge fees for maintenance of certain accounts, and to process certain kinds of transactions, like account withdrawals and transfers.

Further Information

You will pay fees and costs whether you make or lose money on your investments. Generally, the more transactions in your account, the more fees we charge you. We therefore have an incentive to encourage you to engage in transactions. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.

Compare with Typical Advisory Accounts

You could also open an advisory account with an investment adviser, where you will pay an ongoing asset-based fee that is based on the value of the cash and investments in your advisory account.

Advisers provide advice on a regular basis. They discuss your investment goals, design with you a strategy to achieve your investment goals, and regularly monitor your account.

You can choose an account that allows the adviser to buy and sell investments in your account without asking you in advance (a “discretionary account”) or the adviser may give you advice and you decide what investments to buy and sell (a “non-discretionary account”).

Advisers are held to a fiduciary standard that covers the entire investment advisory relationship. For example, advisers are required to monitor your portfolio, investment strategy and investments on an ongoing basis.

If you were to pay an asset-based fee in an advisory account, you would pay the fee periodically, even if you do not buy or sell. You may also choose to work with an investment adviser who provides investment advice for an hourly fee or provides a financial plan for a one-time fee.

For an adviser that charges an asset-based fee, the more assets you have in an advisory account, including cash, the more you will pay the adviser. So the adviser has an incentive to increase the assets in your account in order to increase its fees.

You can receive advice in either type of account, but you may prefer paying:

Asset Based Fee

continuing advice or want someone to make investment decisions for you, even though it may cost more than a transaction-based fee.

Transaction Based Fee

Better from a cost perspective if you do not trade often, or are a “buy and hold” investor.

Conflicts of Interest

We benefit from our recommendations to you.

CFSI may have a financial incentive to offer or recommend that the retail investor invest in certain investments because (a) they are issued, sponsored or managed by us or our affiliates, (b) third parties compensate us when we recommend or sell the investments, or (c) both. Our financial professionals may receive additional compensation if the retail investor buys these investments.

CFSI have an incentive to offer or recommend to the retail investor certain investments because the manager or sponsor of those investments or another third party (such as an intermediary) shares with us revenue it earns on those investments.

CFSI may buy investments from a retail investor, and sell investments to a retail investor, from our own accounts (called “acting as principal”). CFSI may earn a profit on these trades, and that we have an incentive to encourage the retail investor to trade with us.

The following are some specific conflicts to consider:

□ Principal Transactions: CFSI may recommend that you purchase securities CFSI owns and CFSI may recommend that it buy securities that you own. Such transaction is called "principal transactions." CFSI has an incentive to sell securities to you at a higher price that it could get from a person who is not a CFSI customer. CFSI also has an incentive to purchase securities from you at a price lower than it could get from a person who is not a CFSI customer.

□ Proprietary Products: CFSI may recommend that you a buy a security or product of CFSI or its affiliate. CFSI has an incentive to do so because CFSI or its affiliate will receive compensation or another benefit.

□ Revenue Sharing: CFSI may enter into agreements with investment managers or sponsor of investments that pay us a portion of their revenue. CFSI has an incentive to limit the managers and investment sponsors available to you (or to recommend such managers and sponsors) to those who enter into such agreements.

Financial Professionals Compensation

Your financial professional receives a percentage of the fee revenue he or she generates for CFSI. Fee revenue includes commissions, loads, contingent deferred sale charges and 12b-1 fees when your financial professional provides brokerage services and wrap fees when he or she provides advisory services. The percentage of revenue paid to your financial professional increases if he or she hits certain revenue thresholds. Therefore, your financial professional has an incentive to encourage you to buy and sell securities more frequently or to participate in one or more Programs.

He or she may charge more fees for certain securities, strategies, products, or services due to the time and complexity involved in recommending or providing such securities, strategies, products or services. The charging of different fees in this manner is called "differential compensation."

Your financial professional also has an incentive to encourage you to move your account from another firm to CFSI or from your retirement plan to CFSI in order to increase CFSI or her own compensation. As we discussed above, a financial professional's recommendations, investment advice, or discretionary investment decisions will also benefit CFSI.

Other Resources

Callaway Financial Services, Inc. Form CRS; www.synergysecurities.com

FINRA: www.finra.org

SIPC: www.sipc.org

Broker Check: www.finra.org broker check