



## Summit Private Investments, Inc.

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### **ADV - Part 2A**

February 24, 2012

This brochure provides information about the qualifications and business practices of Summit Private Investments, Inc. ("SPI"). If you have any questions about the contents of this brochure, please contact us at 908-522-1414. 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 Summit Private Investments, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Item 2. Material Changes**

There have been no material changes to SPI's Form ADV Part 2 from the last version dated March 31, 2011.

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## **Item 4. Advisory Business**

### **General Description of Advisory Firm**

Summit Private Investments, Inc. ("SPI") is an investment management firm specializing in the management of alternative investments. SPI has been registered with the SEC since April, 1988. SPI is owned by Jeffrey Karp and Stacey Karp. The firm was founded in 1980 as an institutional investment consulting firm working primarily with pension funds to manage their asset allocations and diversify investment risk. In 1991, the firm formed its first fund-of-hedge-funds partnership for high net worth investors and institutions and has managed fund-of-funds partnerships for the past 21 years.

### **Description of Advisory Services (including any specializations)**

The firm manages several fund-of-hedge-funds with the objective of providing our clients with superior risk-adjusted returns and an emphasis on risk control and downside protection. We manage capital for both U.S. and international investors, including retirement plans, endowments, foundations, and high net worth individuals.

SPI is the investment manager of, and an affiliate is the General Partner of, the following fund-of-funds partnerships and an offshore fund (collectively, the "SPI Funds"):

- Summit Private Investments I, L.P.
- Summit Private Investments II, L.P.
- Summit Private Investments Offshore Ltd.
- SPI Diversified, L.P.
- Summit Private Investments Plus, L.P.
- SPI Capital Preservation, L.P.
- SPI Hedge, L.P.
- SPI International, L.P.

In 2003, the firm began an Investment Planning practice to advise on and manage the traditional assets of several client families (the "Accounts").

### **Availability of Tailored Services for Individual Clients**

The Investment Planning portfolios are managed according to a client-specific asset allocation which is implemented primarily through investments in mutual funds and private partnerships.

SPI has discretionary authority for the investments made by the Accounts. The Accounts are managed and invested according to agreed upon general investment objectives, which have been previously discussed and agreed upon between the client and SPI.

### **Wrap Fee Programs**

SPI does not participate in any wrap fee programs.

## **Client Assets Under Management**

As of December 31, 2011, SPI's Regulatory Assets Under Management totaled \$264,013,423, which is managed on a discretionary basis.

## **Item 5. Fees and Compensation**

### **Advisory Fees and Compensation**

In connection with the SPI Funds, SPI (and/or an affiliate) generally receives as a management fee an amount not exceeding 0.25% per quarter (1.0% per year) of a limited partner's capital account (or a shareholder's net investment for the offshore fund) and, in addition, an incentive allocation or fee not greater than 10% of an investor's profits at the end of each year. For SPI Plus, L.P., the management fee will not exceed 1.25% of a partner's capital account. These fees are not negotiable. Lower management fees may be charged for larger accounts.

In connection with the Accounts, annual fees range from 1.00% to 0.35%, based on assets under management. These fees are not negotiable. If a relationship is either terminated or initiated during a quarter, the fee will be pro-rated based on the number of days the assets were managed during the quarter. In addition to the investment management fee payable to SPI, the mutual funds, limited partnerships, or other entities in which a client invests also charge investment management fees and other expenses and the custodian may assess transaction charges.

### **Payment of Fees**

In connection with the SPI Funds, management fees are deducted from client accounts on a quarterly basis in advance at either the beginning of the quarter or upon the date the investment is made where the investment is made at other than the first day of a quarter. Incentive allocations or fees are deducted from client accounts on an annual basis in arrears and are pro-rated for withdrawals at times other than a year-end.

In connection with the Accounts, management fees are either deducted quarterly, in arrears, from client accounts or, at the client's election, are billed to the client.

### **Other Fees and Expenses**

In addition to the management fee and incentive allocation/fee described above, each SPI Fund pays all of its own expenses (e.g., accounting, legal, auditing and tax preparation, administration, investment expenses, interest expenses, custodial fees, research expenses and fees) and any other reasonable expenses as determined by the general partner. In addition to an SPI Fund's direct expenses, such SPI Fund, as an investor in other investment entities, indirectly pays a management fee and may pay an incentive allocation or fee, in addition to its share of the expenses of those investment entities (including the entities' investment expenses (such as custodial fees and brokerage commissions) and overhead expenses (such as rent, personnel expenses, equipment, supplies, management and consulting fees and similar expenses), and any expenses listed above which are paid by such entity).

## **Prepayment of Fees**

This item is not applicable.

## **Additional Compensation and Conflicts of Interest**

Neither SPI nor any of its supervised persons receives any compensation for the sale of securities or sales charges or service fees from the sale of mutual funds (i.e., 12(b)1 fees or “loads”). All SPI compensation is as disclosed above.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

As described above, SPI and its investment personnel provide investment management services to the SPI Funds and are paid performance-based compensation by such SPI Funds. In addition, SPI’s investment personnel are typically compensated on a basis that includes a performance-based component.

Investment Planning clients are charged a fee based on a percent of assets under management (which is a non-performance-based fee).

Certain accounts managed by SPI (including the SPI Funds and the accounts managed through SPI’s Investment Planning practice) may have higher asset-based fees or performance-based compensation arrangements than other accounts.

SPI has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements. SPI reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, SPI’s procedures relating to the allocation of investment opportunities require that similarly managed accounts participate in investment opportunities pro-rata based on asset size. These areas are monitored by SPI’s Chief Compliance Officer.

## **Item 7. Types of Clients**

SPI provides investment advice to both the SPI Funds, which are fund-of-funds vehicles, and SPI’s Investment Planning clients. Through the SPI Funds, SPI manages accounts for individuals, retirement accounts, trusts, pension funds, foundations, and endowments. In the Investment Planning practice, SPI manages assets for clients who are high net worth individuals and their retirement accounts, trusts, and family entities.

The minimum investment in the SPI Funds is disclosed in the applicable offering memorandum and is generally \$500,000, though lesser amounts may be accepted in the firm’s discretion. The minimum investment for Investment Planning clients is generally \$1 million.

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

The investment strategies summarized below and the risks relating to such strategies are set forth in detail in the governing documents for each SPI Fund.

### **Methods of Analysis and Investment Strategies**

The SPI Funds are multi-manager funds that seek to invest in a diversified group of investment vehicles which may include hedge funds or managed accounts (collectively, the “Underlying Investment Vehicles”), and such Underlying Investment Vehicles invest in nontraditional strategies. These strategies may include any of the following:

- Undervalued Securities: investing in the securities of public companies which are selling at prices believed to represent significant discounts from the intrinsic business value of such companies (i.e., the prices which businessmen would pay for such companies in private transactions), with the expectation of eventual price appreciation when the market recognizes such value discrepancy.
- Hedging: selling short securities, writing options on securities and stock market indices and purchasing put options, in order to reduce exposure to general market fluctuations.
- Short Selling: selling the securities of companies which the seller does not own in anticipation of a decline in the value of such securities, with the expectation that the seller will be able to “cover” the short sales at a profit.
- Distressed Companies: investing in the securities of companies which are the subject of bankruptcies, liquidations, workouts and financial reorganizations, with the expectation that such securities will achieve higher market prices at the completion of the reorganization.
- Risk Arbitrage: investing in the securities of public companies which are the subjects of publicly announced mergers and acquisitions, cash tender offers, exchange offers and corporate recapitalizations, and the related trading of securities and options, in anticipation of profiting from the differences or “spreads” between the prevailing market prices and the prices or the value of the securities or cash to be received upon consummation of the transactions.
- Convertible Securities Arbitrage: the purchase (or short sale) of convertible securities and offsetting short sales (or purchases) of the underlying common stock, in order to realize the price differentials or “spreads” between the two without reference to changes in the market price of either.
- Foreign Securities: investing in the securities of foreign companies, including those in countries with emerging and developing equity markets, and trading such securities, primarily to take advantage of anticipated price movements, but also to take advantage of anticipated changes in foreign markets, economies and currency exchange rates.
- Opportunistic Trading: buying and shorting of securities based largely on expectation of short-term price movement as a consequence of market factors as well as company specific developments.
- Futures, Options and Other Commodities: investing in commodity futures contracts, primarily financial futures contracts such as stock market index futures, interest rate futures, currency futures and options thereon both for hedging purposes and to increase the total return on the Underlying Investment Vehicle's portfolio.

- Leverage: utilization of borrowed funds by the Underlying Investment Vehicles or by the SPI Funds themselves, when the investment manager(s) of the Underlying Investment Vehicles or SPI believes this will contribute to achieving investment objectives.

The managers of the Underlying Investment Vehicles (the “Money Managers”) invest in stocks and bonds as well as options, futures, and other derivatives to implement their particular strategy.

SPI determines the managers with which the SPI Funds will invest and the amount of each investment. SPI’s goal is to reduce risk through diversification, investing with managers that utilize investment strategies which are not intended to be directly related to the movements of the equity market or to each other. In this way, the SPI Funds seek to achieve lower volatility (or ups and downs) than the general equity market. SPI’s analysis in selecting the investment managers is generally based on personal interviews with the managers and reviews of audited historical performance. Other criteria for investment selection generally include a focused investment style, action-oriented decision making by one or a few individuals, manager compensation that is tied to their performance (i.e., incentive fees) and having a significant amount of their personal assets invested in the fund they manage.

For Investment Planning clients, in reviewing an individual’s portfolio SPI considers the appropriate asset allocation between bonds, stocks, real estate and other potential investment areas, such as smaller company stocks, international equities, and hedge funds. SPI then creates a portfolio typically consisting of no-load mutual funds, load-waived mutual funds, and/or private partnerships.

These strategies and investments involve significant risk of loss to clients and, therefore, clients must be prepared to bear the loss of their entire investment.

### **Material Risks (Including Significant or Unusual Risks) Relating to Investment Strategies**

The strategies of SPI involve the selection of and allocation of assets to various Money Managers. The following risks related to this strategy may be material:

Activities of Money Managers: SPI has no control over the day-to-day operations of any of the managers of the Underlying Investment Vehicles. Additionally, SPI selects the Underlying Investment Vehicles based on its manager’s investment style, its decision making process, familiarity with its investment professionals and its organizational structure, and does not have knowledge of or control over the securities held by a Money Manager. As a result, there can be no assurance that every Money Manager engaged by SPI will invest on the basis expected by SPI.

Illiquidity: The SPI Funds invest in investment partnerships with limited liquidity and limited partnership interests held by the SPI Funds are not tradable.

Access to Information from Managers: The managers of the Underlying Investment Vehicles may not always provide detailed portfolio information, which may make it more difficult to evaluate a money manager.

Diversification: Although SPI invests with a number of different managers with diverse strategies to try to achieve diversification, it is possible that more than one manager may take substantial positions in the same security at the same time, thereby causing the overall portfolio attributable to an SPI Fund to be less diversified. This possible lack of diversification may subject such SPI Fund to more rapid change in value than would be the case if the assets of such SPI Fund were more widely diversified. However, SPI will have no control over this because it may have limited knowledge of and has no control over the securities held by the managers of the Underlying Investment Vehicles.

Performance-Based Compensation Arrangements with Money Managers: SPI may enter into arrangements with Money Managers which provide that Money Managers be compensated, in whole or in part, based on the appreciation in value (including unrealized appreciation) of the account during specific measuring periods. In certain cases, Money Managers may be paid a fee based on appreciation during the specific measuring period without taking into account losses occurring in prior measuring periods. Such performance fee arrangements may create an incentive for such Money Managers to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements.

Limited Redemptions of Shares from Underlying Investment Vehicles: As an investor in an Underlying Investment Vehicle, SPI generally will be permitted to redeem its shares on a periodic basis following an initial holding period, and may only transfer its shares with the written consent of the Underlying Investment Vehicle. Accordingly, by investing in Underlying Investment Vehicles, SPI gives up a certain amount of access and control over the funds of its clients. Further, if a substantial number of shareholders were to make redemptions and the Underlying Investment Vehicles does not have a sufficient amount of cash or liquid securities, there is the risk that the Underlying Investment Vehicle might have to meet such redemption requests through distributions of securities or other financial instruments (which SPI may, in its discretion, distribute to investors withdrawing from the SPI Funds). In addition, Underlying Investment Vehicles may delay redemptions by suspending redemptions or imposing other limitations which delays the SPI Funds from redeeming their investments in such Underlying Investment Vehicles. The SPI Fund may, in turn, delay redemptions to the extent they are unable to redeem from Underlying Investment Vehicles. Therefore, investing in Underlying Investment Vehicles poses the risk that fulfillment of an SPI Fund investor's redemption request may be delayed until such time as the Underlying Investment Vehicle permits redemption or will honor SPI's entire redemption request from the Underlying Investment Vehicles, or such time as SPI is able to distribute to the client or otherwise dispose of a security or other financial instrument received from the Underlying Investment Vehicles.

Short Sales Engaged by Underlying Investment Vehicles: Certain Money Managers may engage in short sales on behalf of an Underlying Investment Vehicle. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on a portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There is a risk that a Money Manager would have to return the securities it borrows, in connection with a short sale, to the securities lender on short notice. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and the Money Manager may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short. Therefore investing in Underlying Investment Vehicles which engage in short sales exposes the client to greater risk of loss.



Use of Leverage by the Underlying Investment Vehicles: The use of borrowed funds by the Underlying Investment Vehicles can substantially improve returns attributable to an SPI Fund's interest in such Underlying Investment Vehicle, but may also magnify an SPI Fund's losses. Additionally, an Underlying Investment Vehicle may buy or sell options, and because option premiums paid or received by an investor will be small in relation to the market value of the investments underlying the options, buying and selling put and call options can result in large amounts of leverage, thereby also magnifying an SPI Fund's returns and losses. Furthermore, an Underlying Investment Vehicle may trade in financial and commodity futures contracts and options, which involves low margin or premiums which may provide a large amount of leverage. As a result, a relatively small change in the price of such a security or contract can produce a disproportionately large profit or loss.

**Risks Associated with Types of Securities that are Primarily Recommended (Including Significant or Unusual Risks)**

Mutual Funds: A portion of the assets in the accounts of Investment Planning clients may be invested in open-end as well as closed-end mutual funds. Such investments will involve the payment of duplicative fees through the indirect payment of a portion of the expenses, including advisory fees, of such mutual funds. Investments in mutual funds will be valued at the net asset values provided by those funds (which may in certain circumstances be unaudited valuations). Such investments may cause the expenses of the account to be greater than an investment in other investment vehicles.

Restricted Securities: The investments made by SPI in Underlying Investment Vehicles are made in securities which are not registered under the Securities Act of 1933, as amended. Accordingly, these securities are illiquid and are restricted as to their transferability. Such investments also may have exposure to esoteric securities, which may carry additional risks such as:

- *Distressed Securities and Special Situations:* The SPI Funds may invest in Underlying Investment Vehicles which invest in companies that are involved in (or are the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the money manager of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Underlying Investment Vehicle may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the money managers may invest, there is a potential risk of loss by the money manager (and consequently the SPI Fund) of its entire investment in such companies.
- *Debt Securities:* The SPI Funds may invest in Underlying Investment Vehicles which invest in fixed income securities and other debt securities. Certain of these securities may be unrated by a recognized credit-rating agency or below investment grade, which are subject to greater risk of loss of principal and interest than higher-rated debt securities. The Underlying Investment

Vehicles may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured by substantially all of that issuer's assets. Additionally, these Underlying Investment Vehicles may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. The SPI Fund will therefore be subject to credit and liquidity risks. In addition, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments. Investment in a debt instrument will normally involve the assumption of interest rate risk.

- *Futures:* Trading in financial and commodity futures contracts and options thereon are highly specialized activities which, while they may increase the total return on the Underlying Investment Vehicle's investments, may entail greater than ordinary investment risks. The investment program of an Underlying Investment Vehicle may include investment in futures contracts, including stock market index futures, interest rate futures and futures derivatives or swaps. The low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately large profit or loss.
- *Derivative Instruments:* Swaps, derivatives, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. From time to time the Underlying Investment Vehicles may have significant exposure to such transactions.

## **Item 9. Disciplinary Information**

This item is not applicable. There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of SPI's advisory business or the integrity of its management.

## **Item 10. Other Financial Industry Activities and Affiliations**

### **Broker-Dealer Registration Status**

Neither SPI nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

### **Commodities-Related Registration**

Neither SPI nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of the foregoing entities.

### **Material Relationships or Arrangements with Industry Participants**

SPI manages eight fund-of-funds vehicles and maintains an Investment Planning practice, both as described above. SPI has no other material relationships or arrangements with financial industry participants.

The SPI Funds have on occasion entered into agreements, or “side letters,” with certain prospective or existing limited partners or shareholders whereby such limited partners or shareholders may be subject to terms and conditions that may be more advantageous than those set forth in the offering memorandum for the SPI Funds. For example, such terms and conditions may provide for special rights to make future investments in an SPI Fund or may provide special redemption rights, relating to frequency or notice period. The modifications are solely at the discretion of each SPI Fund and may, among other things, be based on the size of the limited partner’s or shareholder’s investment in such SPI Fund or affiliated investment entity, an agreement by a limited partner or shareholder to maintain such investment in such SPI Fund for a significant period of time, or other similar commitment by a limited partner or shareholder in such SPI Fund.

### **Material Conflicts of Interest Relating to Other Investment Advisers**

SPI does not receive any compensation, directly or indirectly, from advisers it recommends or selects for its clients.

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

High ethical standards are essential for the success of SPI and to maintain the confidence of investors in the SPI Funds and the Accounts. SPI has adopted a Code of Ethics which establishes rules of conduct for all employees. The Code is designed to govern personal securities trading activities in employee accounts. It is based upon the principle that SPI and its employees owe a fiduciary duty to the firm’s clients to conduct their affairs, including their personal securities transactions, to avoid (1) serving their own personal interests ahead of clients, (2) taking inappropriate advantage of their position with the firm, and (3) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

Adherence to the Code is considered a basic condition of employment by SPI and is designed to ensure that the high ethical standards long maintained by SPI continue to be applied. A copy of our Code is available to our clients and prospective clients upon request by contacting Elizabeth Steinbugler by email at [esteinbugler@spifunds.com](mailto:esteinbugler@spifunds.com) or by telephone at (908) 522-1414.

### **Client Transactions in Securities where Adviser has a Material Financial Interest**

SPI may recommend an investment in one of the SPI Funds to its Investment Planning clients.

This practice creates a conflict of interest because SPI has an incentive to recommend securities to its Investment Planning clients based on its own financial interests rather than solely the interests of its Investment Planning clients. SPI seeks to mitigate this conflict of interest by waiving the Investment Planning fee charged with respect to any amount invested in the SPI Funds.

### **Investing in Securities Recommended to Clients**

SPI and/or its employees and related persons may invest in the SPI Funds, the Underlying Investment Vehicles of the SPI Funds and/or the mutual funds or other investments that are recommended by SPI to its clients.

Such practices do not present a conflict, however, because neither SPI nor its related persons are in a position to invest in a manner that could adversely affect clients (e.g., due to the nature of the investments made by the SPI Funds, the price at which the investment is made is not adversely affected by SPI's practices).

### **Conflicts of Interest Created by Contemporaneous Trading**

Because of the nature of the investments made by SPI, if SPI or a related person recommends investments to clients, or invests for client accounts, at or about the same time that SPI or a related person makes such investment for its own account, the contemporaneous investment does not result in any economic benefit for SPI, detriment to the client or other conflict of interest.

## **Item 12. Brokerage Practices**

### **Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions**

SPI does not select or recommend brokers for the SPI Funds. SPI selects the Underlying Investment Vehicles which then generally allocate their brokerage business on the basis of best available execution and the brokers' providing brokerage and research services. The Underlying Investment Vehicles may also use brokers who are affiliated with their managers. SPI has no control over the selection of brokers by the Underlying Investment Vehicles.

For the Accounts, SPI participates in the T.D. Ameritrade Institutional Services program offered to independent investment advisors by T.D. Ameritrade. SPI typically recommends T.D. Ameritrade as custodian of client assets and to handle trading in their accounts. T.D. Ameritrade's services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors.

### **Research and Other Soft Dollar Benefits**

Because SPI does not select or recommend brokers for the SPI Funds (brokers are selected by the Money Managers of the Underlying Investment Vehicles), SPI does not receive research or other products or services other than execution from a broker-dealer or a third party in connection with the SPI Funds.

For the Accounts, SPI has access to other products and services at T.D. Ameritrade that help SPI manage and administer client accounts (although SPI does not pay for these services or use client brokerage commissions to obtain these services). These services include software and other technology that provides access to client account data (e.g., trade confirmations and account statements), facilitates trade execution, facilitates payment of SPI's fees from its clients' accounts, and assists with back office functions and recordkeeping. T.D. Ameritrade also makes available publications and conferences on practice management, information technology, regulatory compliance, and other areas. T.D. Ameritrade may make these services available or arrange and/or pay for independent third parties to provide these services. While as a fiduciary SPI endeavors to act in its clients' best interest, SPI's recommendation that clients maintain their assets in accounts at T.D. Ameritrade may be based in part on the benefit to SPI of the availability of some of these products or services, which may create a potential conflict of interest.

## **Brokerage for Client Referrals**

Because SPI does not select or recommend brokers for the SPI Funds, SPI does not consider, in selecting or recommending broker-dealers, whether SPI or a related person receives client referrals from a broker-dealer or third-party.

In connection with the Accounts, SPI does not consider whether it receives client referrals from T.D. Ameritrade when recommending them to clients.

## **Directed Brokerage**

Under certain circumstances, SPI may permit Investment Planning clients to direct SPI to execute the client's trades with a specified broker-dealer. When a client directs SPI to use a specified broker-dealer to execute all or a portion of the client's securities transactions, SPI treats the client direction as a decision by the client to retain, to the extent of the direction, the discretion SPI would otherwise have in selecting broker-dealers to effect transactions. A client who directs SPI to use a particular broker-dealer to effect transactions should consider whether such direction may result in certain costs or disadvantages to the client. Such costs may include higher brokerage commissions and/or higher expense ratios within their mutual funds.

## **Order Aggregation**

Generally, when SPI is going to make an investment on behalf of multiple SPI Funds and/or Accounts, to the extent there is limited capacity in such investment, the capacity is allocated on a pro-rata basis among the SPI Funds and/or Accounts or on such other basis as deemed fair and equitable by SPI.

## **Item 13. Review of Accounts**

### **Frequency and Nature of Review**

SPI reviews the underlying investments of the SPI Funds at least monthly to determine changes in potential investments and to monitor significant changes in the managers' investment approach. Performance is also monitored throughout the month for managers who can provide an interim performance result. These reviews are conducted by Jeffrey Karp and Ronald Karp, with assistance from SPI's analysts.

The Accounts are reviewed at least monthly for the performance results of recommended mutual funds and investment partnerships and the investor's overall account. These reviews are conducted by Elizabeth Steinbugler.

### **Factors Prompting a Non-Periodic Review of Accounts**

A significant change in a holding or in the overall markets may trigger a review of all managers or a particular manager at other than the monthly review.

## **Content and Frequency of Regular Account Reports**

Investors in the SPI Funds receive a monthly statement with account balances and returns as well as a quarterly statement and investor letter with information on the fund and its managers. These investors also receive annually audited financial statements of the fund's operations. Such reports may be delivered electronically to the client in accordance with the client's agreement with SPI. SPI also has contact with investors (personal visits, telephone, e-mail) throughout the year as conditions warrant.

In addition to the monthly statements that Investment Planning clients receive from T.D. Ameritrade, as custodian, these investors also receive a monthly report from SPI of portfolio holdings and consolidated performance of all of their accounts compared to appropriate benchmarks. SPI also prepares a longer quarterly report for Investment Planning clients which includes additional schedules of holdings and history of the accounts.

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

### **Economic Benefits Received from Non-Clients for Providing Services to Clients**

SPI does not receive an economic benefit from any non-clients for providing investment advice or other advisory services to its clients.

### **Compensation to Non-Supervised Persons for Client Referrals**

SPI may make cash payments to third-party solicitors for accounts they refer to become investors in an SPI Fund, provided that, to the extent required, each such solicitor has entered into a written agreement with SPI pursuant to which the solicitor will provide each prospective client with a copy of SPI's Form ADV Part 2, and a disclosure document setting forth the terms of the solicitation arrangement, including the nature of the relationship between the solicitor and SPI and any fees to be paid to the solicitor. Where applicable, cash payments for client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act and related SEC staff interpretations.

## **Item 15. Custody**

Investment Planning clients receive a monthly statement from the custodian of their funds, which they should carefully review. In addition to those sent by the qualified custodian, SPI sends monthly reports directly to Investment Planning clients and these clients should compare the account statements they get from the custodian with the reports they get from SPI.

## **Item 16. Investment Discretion**

In connection with the SPI Funds, SPI has the authority to determine (i) the underlying funds in which the SPI Fund is invested and (ii) the amount of the investment with such underlying fund.

In connection with its Investment Planning clients, the Accounts are managed and invested according to agreed upon general investment objectives, which have been previously discussed and agreed upon between the client and SPI. SPI has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the client account. Because of the differences in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among clients in invested positions and securities held.

#### **Item 17. Voting Client Securities**

##### **Policies and Procedures Relating to Authority to Vote Client Securities**

SPI does not have authority to vote the securities held by the Underlying Investment Vehicles in which the SPI Funds are invested; the managers of the Underlying Investment Vehicles vote proxies for their holdings. However SPI on behalf of the SPI Funds may vote or approve matters for which the Underlying Investment Vehicles seek a vote or approval from their investors.

Additionally, SPI does not have authority to vote the securities held in the Accounts.

##### **No Authority to Vote Client Securities and Client Receipt of Proxies**

As stated above, SPI does not have authority to vote securities held in the Accounts. Proxies for mutual funds and other holdings in which Investment Planning clients are invested are sent to the clients directly by the custodian. With respect to any questions about a particular solicitation, clients can contact Elizabeth Steinbugler by email at [esteinbugler@spifunds.com](mailto:esteinbugler@spifunds.com) or by telephone at (908) 522-1414.

#### **Item 18. Financial Information**

This item is not applicable.

#### **Item 19. Requirements for State-Registered Advisers**

This item is not applicable.