

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

Form ADV, Part 2A, Item 1

***Cover Page***

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**Summit Financial Group, Inc.**

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**03/30/2012**

**FORM ADV PART 2  
BROCHURE**

**This brochure provides information about the qualifications and business practices of Summit Financial Group, Inc. If you have any questions about the contents of this brochure, please contact us at 1-800-226-2660. 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 Financial Group, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Summit Financial Group, Inc. is 109485.**

**Summit Financial Group, Inc. is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

Form ADV, Part 2A, Item 2

***Material Changes***

Change of Executive Officers:

Removed Sander Ressler, EVP & Chief Compliance Officer

Replaced with: Fred G. Fram                      Year of Birth   1962  
EVP & Chief Compliance Officer  
Business Background (preceding five years):  
Summit Brokerage Services, Inc.   Jan. 2010 - Present  
Summit Financial Group, Inc.       Jan. 2010 - Present  
Stanford Group Company           Jun. 2006 - Jan. 2010

Only material changes since the last annual update of the brochure are mentioned above. The last annual update of the firm brochure was on March 31, 2011.

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### ***Advisory Business***

Summit Financial Group, Inc. (hereinafter referred to as "Summit" or "Registrant") is a Registered Investment Adviser based in Boca Raton, FL, and incorporated under the laws of the State of Florida. Founded in 1999, Summit provides investment advice and portfolio management services on a continuing basis, which may include, but are not limited to, the review of client investment objectives and goals, recommending asset allocation strategies of managed assets among cash, stocks, mutual funds and bonds and/or preparing written investment strategies. Summit provides investment advisory and other financial services through its Investment Advisory Representatives ("IAR") to accounts opened with Summit (the "Managed Accounts"). Managed Accounts are available to both retail clients (for example, smaller accounts of individuals, IRAs, trusts and employee benefit plans) and institutional clients (for example, corporate pension plans, charitable organizations, corporations and foundations). In addition, some programs will provide for the selection of specific securities to help meet the client's stated investment objectives or identifying, evaluating, and hiring independent, unaffiliated money management firms on behalf of clients.

Summit is a wholly-owned subsidiary of Summit Financial Services Group, Inc. Summit also has a broker-dealer affiliate, Summit Brokerage Services ("Summit Brokerage"), which is an introducing broker-dealer that clears through Pershing, LLC (a subsidiary of The Bank of New York Mellon Corporation and referred to hereinafter as "Pershing") and First Clearing Correspondent Services (an affiliate of Wells Fargo & Company and referred to hereinafter as "FCC"). Summit Brokerage Services is registered with the Securities & Exchange Commission ("SEC") and state jurisdictions and is a member of the Financial Industry Regulatory Authority ("FINRA"), Municipal Securities Rulemaking Board ("MSRB"), and the Securities Investors Protection Corporation ("SIPC"). Summit Brokerage also provides a full range of investment services in stocks, corporate bonds, municipal bonds, government bonds, options, mutual funds, variable annuities, real estate investment trusts and other investment and insurance products.

Summit Brokerage may effect securities transactions for compensation for clients in its capacity as a broker-dealer. The capacity in which Summit acts, the execution price of the security and any commission or mark-up Summit receives, will be disclosed to the client via trade confirmation. Prospective clients are hereby advised that lower fees for comparable services may be available from other sources. Summit and its agents will seek to ensure that they do not personally benefit from the short-term market effects of its investment recommendations. From time to time, related persons may purchase securities that are also acquired on behalf of clients and are placed in their Managed Accounts. To prevent conflicts of interest, all employees of Summit must comply with Summit's Code of Ethics ("Code of Ethics") which impose restrictions on the purchase or sale of securities from their own accounts and the accounts of certain affiliated persons.

Summit provides discretionary and non-discretionary investment advisory services to some of its clients through various managed account programs (“Wrap-Fee Programs”). Summit will assist clients in determining the suitability of the Summit Wrap Programs for the client. The IAR is compensated through a comprehensive single fee and the account may be assessed other charges associated with conducting a brokerage business. The Registrant and its IAR, as appropriate, will be responsible for the following:

- Performing due diligence.
- Recommending strategic asset and style allocations
- Providing research on investment product options, as needed
- Providing client risk profile questionnaire
- Obtaining investment advisory contract from client with required financial, risk tolerance, suitability and investment vehicle selection information for each new account
- Performing client suitability check on account documentation, review the investment objectives and evaluate the investment vehicle selections
- Providing Firm Brochure (this document)

Client Assets Managed on a Discretionary Basis as of March 9, 2012: \$375,618,000

Client Assets Managed on a Non-Discretionary Basis as of March 9, 2012: \$612,518,000

## ***Fees and Compensation***

### **Overview**

Investment advisory programs are offered through both of Summit's clearing platforms, FCC and Pershing. Pershing utilizes their subsidiary, Lockwood Advisors, as well as Envestnet, to provide Investment Advisory services to customers. FCC and Pershing are nationally recognized clearing firms providing clearing services for over 90% of introducing firms like Summit.

### **FCC Fee Based Programs**

FCC has several platforms from which to choose, ranging from programs managed by Wells Fargo, by third party managers, those directed by the client, or those directed by the IAR.

### **Third Party Advisory Programs**

**FundSource** - is a discretionary mutual fund wrap program allowing access to over 25 Optimal Blend portfolios managed by the "Manager Strategy Group". The minimum account size is \$25,000.

<u>Account Size</u>	<u>Client Fee Range</u>
First \$0 - \$99,999	1.00% - 1.75%
Next \$100,000 - \$249,999	1.00% - 1.75%
Next \$250,000 - \$499,999	1.00% - 1.50%
Next \$500,000 - \$999,999	1.00% - 1.50%
Over \$1,000,000	

**Diversified Managed Allocations** – is a Separately Managed Account program based upon research driven models utilizing stocks, bonds & cash. The minimum account size is \$150,000.

<u>Account Size</u>	<u>Client Fee Range</u>
First \$0 - \$99,999	1.25% - 2.75%
Next \$100,000 - \$249,999	1.25% - 2.75%
Next \$250,000 - \$499,999	1.00% - 2.50%
Next \$500,000 - \$999,999	1.00% - 2.50%
Over \$1,000,000	1.00% - 2.00%

**Wells Fargo Compass** - is a professionally managed account by the "Manager Strategy Group" in stocks, closed-end funds, ETFs and cash. The minimum account size is \$50,000.

<u>Account Size</u>	<u>Client Fee Range</u>	
	Ind, AA, ETF	Fixed Inc.
First \$0 - \$99,999	1.00% - 2.50%	1.00% - 1.50%
Next \$100,000 - \$249,999	1.00% - 2.50%	1.00% - 1.50%
Next \$250,000 - \$499,999	1.00% - 2.00%	1.00% - 1.25%
Next \$500,000 - \$999,999	1.00% - 2.00%	1.00% - 1.25%
Over \$1,000,000	1.00% - 1.50%	0.50% - 1.00%
Over \$10,000,000 - none		
Note: Fees are blended		

**Masters** – is a professionally managed, separate account of individual security holdings in stocks bonds & cash with added Due Diligence performed on each Manager. The minimum account size is \$100,000.

<u>Account Size</u>	<u>Client Fee Range</u>	
	Equity & Bal	Fixed Inc.
First \$0 - \$99,999	1.25% - 2.75%	1.25% - 1.50%
Next \$100,000 - \$249,999	1.25% - 2.75%	1.25% - 1.50%
Next \$250,000 - \$499,999	1.00% - 2.50%	1.00% - 1.25%
Next \$500,000 - \$999,999	1.00% - 2.50%	1.00% - 1.25%
Next \$1,000,000	1.00% - 2.00%	0.50% - 1.00%
Over \$2,000,000	Negotiable	Negotiable

**Private Advisor Network** – is a discretionary professionally managed, separate account utilizing stocks, bonds and cash. The minimum account size is \$100,000.

<u>Account Size</u>	<u>Client Fee Range</u>
First \$0 - \$99,999	1.25% - 3.00%
Next \$100,000 - \$249,999	1.25% - 3.00%
Next \$250,000 - \$499,999	1.00% - 2.50%
Next \$500,000 - \$999,999	1.00% - 2.50%
Over \$1,000,000	1.00% - 2.50%

**Allocation Advisors** – is a discretionary advisory program comprised primarily of ETFs managed by Wells Fargo Advisors' Advisory Service Group, Laffer or Ibbotson. The minimum account size for the Strategic/CAAP Foundation is \$25,000, whereas the minimum account size for the CAAP Plus/Global is \$50,000.

<u>Account Size</u>	<u>Client Fee Range</u>	
	Tactical	Strategic
First \$0 - \$99,999	1.00% - 2.50%	1.25% - 1.75%
Next \$100,000 - \$249,999	1.00% - 2.50%	1.25% - 1.75%
Next \$250,000 - \$499,999	1.00% - 2.00%	0.75% - 1.00%
Next \$500,000 - \$999,999	1.00% - 2.00%	0.75% - 1.00%
Over \$1,000,000	1.00% - 1.50%	0.50% - .75%

### **Client Directed Programs**

**Custom Choice** - is a non-discretionary mutual fund wrap program that allows you to construct a load or no-load mutual fund portfolio. The minimum account size is \$25,000.

<u>Account Size</u>	<u>Client Fee Range</u>
First \$0 - \$99,999	1.00% - 1.75%
Next \$100,000 - \$249,999	1.00% - 1.75%
Next \$250,000 - \$499,999	1.00% - 1.50%
Next \$500,000 - \$999,999	1.00% - 1.50%
Over \$1,000,000	1.00% - 1.15%

**Asset Advisor** – is a non-discretionary investment advisory program wherein the client makes the investment choice in stocks bonds ETF, UITs or options. The minimum account size is \$50,000.

<u>Account Size</u>	<u>Client Fee Range</u>
First \$0 - \$99,999	1.00% - 3.00%
Next \$100,000 - \$249,999	1.00% - 3.00%
Next \$250,000 - \$499,999	1.00% - 2.50%
Next \$500,000 - \$999,999	1.00% - 2.50%
Over \$1,000,000	1.00% - 1.75%

### **Adviser Directed**

**Private Investment Management (PIM)** – is a discretionary program where the Adviser is the portfolio manager in stocks, bonds, ETF, UITs and options. The minimum account size is \$50,000.

<u>Account Size</u>	<u>Client Fee Range</u>
First \$0 - \$99,999	1.00% - 3.00%
Next \$100,000 - \$249,999	1.00% - 3.00%
Next \$250,000 - \$499,999	1.00% - 2.50%
Next \$500,000 - \$999,999	1.00% - 2.50%
Over \$1,000,000	1.00% - 1.75%

### **Pershing Fee Based Programs**

At Pershing there are thirteen different Managed Account platforms. Please note that all client and administrative fees are calculated on blended breakpoint averages.

### **Adviser/Client Directed Programs**

**Adviser Investment Management (AIM)** - This Managed Account platform was created to give the IAR the discretion to manage the client's fee based accounts. The client receives the benefits of quarterly fee billing, performance reporting and clearing charges inclusive in their fee. The minimum account size is \$25,000 and the client fees may range from 1.00% to 3.00% with Administrative Fees ranging from 0.250% to 0.300% depending on the account size.

**Adviser Investment Management + (AIM+)** - This platform offers the exact services described in **AIM** above with a slight variation allowing the Adviser the option to bill the client a ticket charge. In **AIM+**, the client fee range remains the same as **AIM**; however the Administrative Fees are lower, ranging from 0.160% to 0.200%.

The following schedule will be used for participation in the AIM and AIM Plus programs. Normally the client fee based on the account size is negotiated with the IAR; otherwise, other account and servicing fees are non-negotiable:

<u>Account Size</u>	<u>Client Fee Range (2)</u>
First \$500,000	1.00% - 3.00%
Next \$500,000	1.00% - 3.00%
Over \$1,000,000 (1)	1.00% - 2.50%

(1) Contact your IAR for pricing on amounts significantly in excess of \$1,000,000.

(2) In addition to the fees below, a Performance Link fee will be charged for the fee-based accounts linked to transaction accounts.



### **Client Directed Programs**

**Summit Elite and Summit Elite Plus** are non-discretionary customized fee-based programs offered through the Pershing platform that provide advisors and their clients with monthly and quarterly performance reporting, and consolidated statement capabilities. Importantly, these accounts provide the advisor with maximum flexibility in determining the level of service, and therefore the pricing, to each individual client. The minimum investment amount for each of these accounts is \$50,000 and may be comprised of equities, bonds, CDs, covered options (with an approved option agreement), and no load or load-waived mutual funds.

Each **Elite** and **Elite Plus** account is charged: (i) an account service fee, ranging from 3 bps to 5 bps based on account size (which is added to the annual fee paid by the client), (ii) an annual administrative fee equal to \$150.00 (that may be paid by either the advisor or the client), and (iii) a per-transaction charge pursuant to the attached schedule. ***The difference between Elite and Elite Plus is who pays the per-transaction charge. In Elite, the per-transaction charge is paid by the advisor, while in Elite Plus the per-transaction charge is paid by the client.*** Because of these choices, it is important that the advisor select the proper options when completing the Summit Investment Advisory Agreement.

<u>Account Size</u>	<u>Client Fee Range (2)</u>
First \$250,000	1.00% - 3.00%
Next \$750,000	1.00% - 3.00%
Next \$4,000,000	1.00% - 2.50%
Over \$5,000,000 (1)	1.00% - 2.00%

(1) Contact your IAR for pricing on amounts significantly in excess of \$5,000,000.

(2) In addition to the fees below, a Performance Link fee will be charged for the fee-based accounts linked to transaction accounts.

### **Lockwood Programs**

**Separate Account Contracted Manager** – encompasses over 50 Managers with over 100 investments style on Lockwood's Research coverage list. To build portfolios and provide recommendations based upon Lockwood's proprietary investment models including five Tax-Aware options for taxable accounts and five Tax-Exempt models for tax-exempt accounts, in addition to active/passive options for the large cap equity portion of the portfolios. The minimum account size is \$100,000.

<u>Account Size</u>	<u>Client Fee Range</u>
First \$500,000	1.25% - 3.00%
Next \$500,000	1.25% - 3.00%
Over \$1,000,000 (1)	1.25% - 2.50%

(1) Contact your IAR for pricing on amounts significantly in excess of \$1,000,000.

Program fees include Lockwood advisory fee, money manager, clearing and custody fees.

**Lockwood Investment Strategies** – Offers a spectrum of a broadly diversified portfolio comprising multiple asset classes and investment vehicles held in a single account using mutual funds, closed end funds ETFs, alternative investments and individual securities. The minimum account size is \$250,000.

**Lockwood Asset Allocation Partners** – A discretionary, multi-disciplined managed account, managed by Lockwood Capital using mutual funds, ETFs, closed-end funds. Minimum account is \$50,000, and portfolios generally hold from 5 to 15 securities.

Program fees include Lockwood advisory fee, money manager, clearing and custody fees.

The following schedule will be used for participation in the Lockwood Investment Strategies and Lockwood Asset Allocation Partners programs.

<u>Account Size</u>	<u>Client Fee Range (2)</u>
First \$500,000	1.00% - 3.00%
Next \$500,000	1.00% - 3.00%
Next \$4,000,000 (1)	1.00% - 2.50%
Next \$5,000,000 (1)	.75% - 2.00%
Over \$10,000,000 (1)	.50%-2.00%

(1) Contact your IAR for pricing on amounts significantly in excess of \$10,000,000.

(2) In addition to the fees below, a Performance Link fee will be charged for the fee-based accounts linked to transaction accounts.

**Lockwood Adviser FLEX Portfolios** – A managed account solution providing flexibility to create a custom solution for each client using mutual funds, ETFs and ETNs. The minimum account size is \$100,000.

<u>Account Size</u>	<u>Client Fee Range</u>
First \$500,000	.60% - 2.00%
Next \$500,000	.60% - 2.00%
Over \$1,000,000	.50% - 1.50%

Program fees include Lockwood advisory fee, money manager, clearing and custody fees.

Performance Link Services provides the ability to include any Pershing custodied account in a consolidated performance report. The following will be used for Performance Link Services:

Per Account Size Basis Points (1)

First \$500,000 3 bps (0.03%)  
Next \$500,000 2 bps (0.02%)  
Over \$1,000,000 (1) 1 bps (0.01%)

(1) The minimum fee is \$35.00 per quarter and the maximum is \$62.50 per quarter.

**Envestnet Programs**

**Separate Accounts** – This Managed Account Solution provides individual investors with direct access to some of the world's leading investment managers, many of whom were once available exclusively to large institutional investors. Also includes access to Envestnet Manager Blends which are portfolios consisting of models from multiple separate account managers for individual style categories.

<u>Account Size</u>	<u>Client Fee Range (2)</u>
First \$1,000,000	1.00% - 3.00%
Next \$1,000,000	1.00% - 2.50%
Next \$3,000,000	1.00% - 2.50%
Next \$5,000,000	1.00% - 2.50%
Over \$10,000,000	1.00% - 2.50%

(2) In addition to the fees listed, a Performance Link Fee will be charged for fee-based accounts linked to transaction accounts. There is a minimum account fee of \$350.00

**Unified Managed Account --** allows advisors to build customized portfolio models using a wide variety of asset classes and to manage multiple client accounts following each model. This investment strategy delivers the benefits of combining traditional separately managed accounts, mutual funds, and ETFs in a single fully-diversified portfolio.

<u>Account Size</u>	<u>Client Fee Range</u>
First \$500,000	1.00% - 3.00%
Next \$500,000	1.00% - 3.00%
Next \$1,000,000	1.00% - 2.50%
Next \$3,000,000	1.00% - 2.50%
Over \$5,000,000	1.00% - 2.50%

**Multi-Manager Account --** combines the investment expertise of two or more globally prominent asset managers into a single portfolio. This investment strategy delivers the benefits of a traditional separately managed account in a single fully-diversified portfolio.

<u>Account Size</u>	<u>Client Fee Range(2)</u>
First \$500,000	1.50% - 3.00%
Next \$500,000	1.50% - 3.00%
Next \$1,000,000	1.20% - 2.50%
Over \$2,000,000	1.20% - 2.50%

(2) In addition to the fees listed, a Performance Link Fee will be charged for fee-based accounts linked to transaction accounts.

**Advisor as Portfolio Manager --** This solution allows the Client and Financial Advisor to direct their own portfolios. These model portfolios are constructed and rebalanced directly by the Advisor using the Envestnet web-based platform.

<u>Account Size</u>	<u>Client Fee Range(2)</u>
First \$1,000,000	1.00% - 3.00%
Next \$1,000,000	1.00% - 2.50%
Next \$3,000,000	1.00% - 2.50%
Over \$5,000,000	1.00% - 2.50%

(2) In addition to the fees listed, a Performance Link Fee will be charged for fee-based accounts linked to transaction accounts.

**Mutual Fund Wrap & Exchange Traded Fund Portfolios --** This solution includes a total of seven mutual fund and/or ETF programs among various portfolios and managers including Envestnet, PMC, and Singer Partners LLC. Fees range between 1.00% - 3.00% based upon the program selected.

Fees are paid in advance on a quarterly basis. Summit will, based upon the client's request, assess a fee for a period up to but not to exceed an annual basis. Fees for advisory accounts are to be either charged to the client's advisory account or billed to and paid directly by the client. Fees are debited from the client's account on the payment due date. However, the client may pay the fees from outside funds provided Summit is so notified in advance and such outside funds, sufficient to pay the fees due, are paid to Summit on or prior to the payment due date. Fees are negotiable at the discretion of the IAR generally, which may result in different fees being charged for accounts similar in makeup and objectives. Consideration may also be given to other accounts related to, or affiliated with the client, which may result in lower fees being charged for accounts similar in makeup and objectives. In addition, clients have the option to purchase investment products recommended through other brokers or agents not affiliated with Summit Financial Group, Inc.

To the extent mutual funds are selected by Summit to fill components of the overall investment strategy, the annual advisory fee set forth above does not include the customary fees and expenses associated with investing in mutual funds or other costs of establishing and maintaining an account with mutual funds including Rule 12b-1 fees and expenses. The client is advised that, in addition to the annual advisory fee set forth above, each mutual fund in which assets are invested will incur separate investment advisory fees and other expenses for which the client will bear a proportionate share (such amounts reflecting in asset prices). A confirmation may be sent for each individual transaction made in some programs, and a charge may be applied for each transaction and each confirmation produced. The advisory fee does include certain costs or charges associated with securities transactions with or through a broker-dealer other than Summit brokerage, including brokerage commissions and dealer mark-ups or mark-downs in principal transactions or odd-lot differentials, stock exchange fees and other direct out-of-pocket costs incurred by Summit as a result of it providing the services contemplated under this Agreement. Transfer taxes or other charges mandated by law will be separately charged to the client's account. When a client for whom Summit provides discretionary investment management services requests or instructs Summit to direct a portion of the securities transactions for its account to a specified broker-dealer, Summit will treat the client's direction as a decision by the client to retain, to the extent of the direction, the discretion that Summit would otherwise have in selecting the market center to effect transactions and in negotiating fees generally for the client's account. Although Summit will attempt to effect such transactions in a manner consistent with its policy of seeking best execution and price on each transaction, there may be occasions where it is unable to do so, in which case Summit will continue to comply with the client's instructions on the foregoing basis. The client, therefore, should consider whether, under its direction, commissions, execution, clearance and settlement capabilities, and fees for custodial and other services provided the client by the broker-dealer (if applicable) will be comparable to those otherwise obtainable. A client making such a designation also should understand that it might lose the possible advantage that non-designating clients derive from aggregation of orders for several clients as a single transaction for the purchase or sale of a particular security.

#### **OTHER COMPENSATION**

The fee structures of many wrap programs are structured to be "comprehensive" unless the client has designated the option of the wrap base fee plus a charge for each transaction. Summit Brokerage may participate, both directly and indirectly, in other compensation as a

result of its broker dealer activities. For your general information, they are set out generally hereafter:

***Mutual Funds Charges.*** To the extent mutual funds are selected to fill components of the overall investment strategy, Summit endeavors to purchase such mutual fund shares at Net Asset Value ("NAV") or no load. Thus, the client will not be subject to any initial distribution cost (front-end sales charge) or redemption fee (back-end sales charge), if any, that might normally be incurred upon the purchase or sale of shares of mutual fund shares. However, Summit may receive Rule 12b-1 fees from the issuers of such mutual funds, and this will be in addition to the advisory fee paid herein. Mutual fund transactions in the AIM Plus and Elite Plus programs will incur a transaction and confirmation charge. Mutual funds eligible under the Pershing FundVest program do not incur a transaction or confirmation charge.

***Cash and Money Market Funds.*** Certain money market, municipal money market and government money-market funds pay Summit Brokerage a distribution fee in its capacity as a broker dealer. This compensation is in addition to other fees, etc. received from client accounts. The IARs may also receive additional compensation based on client account balances being held in certain money-market funds. Cash balances arising from the sales of securities, redemption of debt securities, dividend and interest payments and funds received from clients are generally invested automatically on a daily basis. When securities are sold, funds (less any changes) are generally credited on the first business day after trade date. Due to the foregoing practices, Summit realizes some economic benefit because of the delay in investing these funds.

***Directed Brokerage.*** Summit may direct that its affiliate, Summit Brokerage, handle transactions as necessary for the investment implementation of any programs used herein. Summit Brokerage Services may receive compensation for handling such transactions. Summit believes that using Summit Brokerage Services to handle necessary transactions is both beneficial and cost efficient to the client. While not a requirement of participating as a registered investment adviser, investment manager or sub-manager for clients of Registrant or any programs offered, some registered investment advisers, investment managers and sub-advisors utilized by Registrant may have other advisory clients who custody assets through Registrant with the Custodian, and as a result of such relationship, Registrant may receive fees from transactions executed in such accounts.

***Performance-Based Fees and Side-By-Side Management***

Summit Financial Group, Inc. does not charge performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or appreciation of the assets of a client. Our fees are calculated as described in Fees and Compensation section above, and are not charged on the basis of performance of your advisory account.

***Types of Clients***

Summit Financial Group offers investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities. In general, a minimum of \$25,000 is required to open and maintain an advisory account. At our discretion, we may waive the minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under management. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

***Methods of Analysis, Investment Strategies, and Risk of Loss***

Summit Financial Group's methods of analysis and investment strategies incorporate the client's needs and investment objectives, time horizon, and risk tolerance. Summit is not bound to a specific investment strategy for the management of investment portfolios, but rather considers the risk tolerance levels pre-determined gathered at the account opening, as well as on an on-going basis. Examples of methodologies that our investment strategies may incorporate include:

**Asset Allocation** - Asset Allocation is a broad term used to define the process of selecting a mix of asset classes and the efficient allocation of capital to those assets by matching rates of return to a specified and quantifiable tolerance for risk.

**Dollar-Cost Averaging** - Dollar-cost averaging is the technique of buying a fixed dollar amount of securities at regularly scheduled intervals, regardless of the price per share. This will gradually, over time, decrease the average share price of the security. Dollar-cost averaging lessens the risk of investing a large amount in a single investment at the wrong time.

**Technical Analysis** – involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.

**Long Term Purchases** – securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

**Short Term Purchases** – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short term price fluctuations.

**Margin Transactions** – a securities transaction in which the investor borrows money to purchase a security, in which case the security serves as collateral on the loan.

Our strategies and investments may have unique and significant tax implications. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

**Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indicator of future performance.



***Disciplinary Information***

Summit Financial Group, Inc. or its Principal Executive Officers have not had any reportable disclosable events in the past ten years.

***Other Financial Industry Activities and Affiliations***

Management persons at Summit are registered with Summit Brokerage Services with one or more of the following licenses:

Series 7 – General Securities Representative  
Series 9 – General Securities Sales Supervisor – Options Module  
Series 24 – General Securities Principal  
Series 4 – Options Principal  
Series 27 – Financial and Operational Principal  
Series 28 – Introducing Broker/Dealer Financial and Operational Principal  
Series 53 – Municipal Securities Principal  
Series 55 – Limited Representative Equity Trader  
Series 63 – Uniform Securities Agent State Law Exam  
Series 65 – NASAA – Investment Advisors Law Exam  
Series 66 – NASAA – Uniform Combined State Law Examination

Summit is a wholly-owned subsidiary of Summit Financial Services Group, Inc. Summit also has a broker-dealer affiliate, Summit Brokerage Services, which is an introducing broker-dealer that clears through Pershing and FCC. See the “Directed Brokerage” section on p.12 for information on potential conflicts of interest.

**Summit Financial Services Group, Inc. & Subsidiaries**

- I. Summit Financial Services Group, Inc.<sup>1</sup> (Parent Company)
  - A. Summit Brokerage Services, Inc.<sup>2</sup> (“SBS”)
    - 1. Summit Financial Group, Inc.<sup>3</sup> (“SFG”)**
    - 2. Summit Holding Group, Inc.<sup>4</sup> (“SHG”)
    - 3. SBS Insurance Agency of Florida, Inc.<sup>5</sup> (“SBSFL”)
      - a) SBS of California Insurance Agency, Inc. (“SBSC”)
      - b) SBSI Insurance Agency of Texas, Inc. (“SBSI”)
  - B. Summit Capital Group, Inc.<sup>6</sup>

<sup>1</sup> Financial services holding company.

<sup>2</sup> Operating subsidiary that: (a) provides a broad range of securities brokerage and investment services to primarily individual investors; (b) sells insurance products through its subsidiary, SBS of FL (and SBS of FL’s subsidiaries); and (c) provides asset management services through its subsidiary, SFG.

<sup>3</sup> Engaged in the business of asset management services.

<sup>4</sup> Inactive subsidiary.

<sup>5</sup> SBS of FL and its subsidiaries are engaged in the business of selling insurance products, predominantly fixed and variable annuities and life insurance.

<sup>6</sup> Engaged in the business of investment banking.

***Code of Ethics, Participation or Interest in Client Transactions and Personal Trading***

Summit's Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect client interests at all times and to demonstrate our commitment to fiduciary duties of honesty, good faith, and fair dealing. All of Summit's Associated Persons are expected to strictly adhere to these guidelines. Persons associated with Summit are also required to report any violations to our Code of Ethics. Additionally, the firm maintains and enforces written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about our clients or client accounts by persons associated with our firm.

Summit's Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting our Compliance Department at (800) 226-2660.

Summit and its agents will seek to ensure that associates do not personally benefit from the short-term market effects of its investment recommendations. From time to time, related persons may purchase securities that are also acquired on behalf of clients and are placed in their Managed Accounts. To prevent conflicts of interest, all employees of Summit must comply with Summit's Code of Ethics which imposes restrictions on the purchase or sale of securities from their own accounts and the accounts of certain affiliated persons.

The Code of Ethics require that all trades made by employees or related persons of Summit, who make recommendations or participate in the determination of which recommendations shall be made, will require review for all securities transactions by the designated person responsible (except transactions in investment company securities and/or other exempt transactions). Summit will also maintain quarterly or monthly reports on all personal securities transactions, except transactions in investment company securities and/or other exempt transactions. Further, the Code of Ethics impose certain policies and procedures concerning the misuse of material non-public information that are designed to prevent insider trading by any officer, partner, or associated person of Summit.

### ***Brokerage Practices***

We recommend the brokerage of Summit Brokerage Services, an affiliate securities broker-dealer. Summit Brokerage Services is an introducing broker-dealer that clears through Pershing, LLC (a subsidiary of The Bank of New York Mellon Corporation) and First Clearing Correspondent Services (an affiliate of Wells Fargo & Company). Summit Brokerage Services is registered with the Securities & Exchange Commission ("SEC") and state jurisdictions and is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investors Protection Corporation ("SIPC"). Summit Brokerage Services also provides a full range of brokerage services in stocks, corporate bonds, municipal bonds, government bonds, options, mutual funds, variable annuities, real estate investment trusts and other investment and insurance products.

Summit believes that the recommended broker-dealer and its custodians provide quality execution services for competitive prices to the client. Price is not the sole factor in what is considered for evaluating best execution. Summit also considers the quality of the brokerage services provided by the recommended broker-dealer provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to clients. Clients and prospective clients are hereby advised that lower fees for comparable services may be available from other sources.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Directed Brokerage**

Persons providing investment advice on behalf of our firm who are registered representatives of Summit Brokerage Services will recommend Summit Brokerage Services to clients for brokerage services. These individuals are subject to applicable rules that restrict them from conducting securities transactions away from Summit Brokerage Services unless Summit Brokerage Services provides the representative with written authorization to do so. Therefore, these individuals are generally limited to conducting securities transactions through Summit Brokerage Services. It may be the case that Summit Brokerage Services charges higher transactions costs and/or custodial fees than another broker charges for the same types of services. If transactions are executed through Summit Brokerage Services, these individuals (in their separate capacities as registered representatives of Summit Brokerage Services ) may earn commission-based compensation as a result of placing the recommended securities transactions through Summit Brokerage Services.

This practice presents a conflict of interest because these registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. You may utilize the broker-dealer of your choice and have no obligation to purchase or sell securities through such broker as, we recommend. However, if you do not use Summit Brokerage Services, we may not be able to accept your account. Please

see the “Fees and Compensation” section in this Brochure for more information on the compensation received by registered representatives who are affiliated with our firm.

### **Block Trades**

We may combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as “block trading”). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

***Review of Accounts***

Accounts are managed on a continuous basis and are reviewed at several intervals. Accounts and initial allocations are approved by a designated supervisory principal (DSP). Trades are reviewed on a daily basis by a DSP. The investment adviser representative (IAR) servicing the account will, no less than quarterly, review the account. The DSP and Compliance Department rely upon exception reports, provided by the custodians, to identify problem trading and activity requiring further research. These reports are reviewed either daily or monthly in accordance with the Firm's policies and procedures. Confirmations of all buys and sells are sent to the client by the applicable custodian, unless the client opts to suppress confirmations, if available to do so. Statements are provided to the client from the custodian at least quarterly if there is no activity and monthly if there is activity. In addition, clients may receive a quarterly performance report. IARs may meet with clients as frequently as is agreed or as requested by the client or IAR, but are encouraged to meet with clients at least annually.

The reviewers in the Compliance Department include Compliance Supervisors, two Directors of Compliance and a Chief Compliance Officer, each also serving as a DSP. Accounts that do not receive continuous management, such as accounts managed by third party money managers, are only reviewed at account opening. The Forms ADV Part I and Part 2 of third party money managers, external from Summit's clearing firms and custodians, are reviewed annually to include a review of investment policies.

***Client Referrals and Other Compensation***

On a limited basis, Summit utilizes the services of Solicitors for client referrals. All such arrangements are completed through the use of ‘Solicitation Agreements’ that are executed prior to any such referral. As disclosed under the “Fees and Compensation” section of this Brochure, persons providing investment advice on behalf of Summit are licensed with Summit and the appropriate regulatory bodies. For information on the conflicts of interests this presents, and how we address these conflicts, please refer to the “Fees and Compensation” section.

### *Custody*

Any investment adviser having custody or access to customer funds or securities must comply with certain rules and regulations designed to protect the clients' assets. Rule 206(4)-2 of the Investment Advisers Act of 1940 details strict requirements governing investment advisers that have "custody" over client securities or funds. Currently, Summit does meet the definition of having custody due to the following circumstances:

- The company directly debits fees from client accounts; and
- Some IARs act as trustee for non-family accounts, which imputes custody onto the Company.

Summit does not have physical custody of any client funds and/or securities. Client funds and securities will be held with a bank, broker-dealer, or other independent qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds at least quarterly. The account statements from your custodian(s) will indicate the amount of advisory fees deducted from your account(s) each billing cycle. Summit also sends quarterly invoices detailing the manner and amount of advisory fees to all clients as a best practice.



***Investment Discretion***

Before Summit can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a power of attorney, and/or trading authorization forms. By choosing to do so, you may grant the firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. Please refer to the “Advisory Business” section of this Brochure for more information on our discretionary management services.

***Voting Client Securities***

It is generally not the policy of the Company to vote proxies, however, with respect to those accounts for which it has voting authority in accordance with client instructions, and in a manner in which the Company believes it to be in the best interests of its clients, the Company may allow proxy voting. The Company generally votes in accordance with the recommendations of the issuer's existing management, unless it is not prudent to do so. A written copy of the proxy policies and procedures are available upon request.

Form ADV, Part 2A, Item 18

***Financial Information***

Summit is not required to provide financial information to our clients because we do not require or solicit the prepayment of more than \$1,200 in fees (or \$500 in some states) six or more months in advance.

***Additional Information***

**Requirements for State-Registered Advisers**

Principal Executive Officers and Management Persons Education and Business Background:

Marshall T. Leeds

Chairman & CEO

Business Background (preceding five years):

Summit Brokerage Services, Inc. Mar. 2002 – present

Summit Financial Group, Inc. Aug. 2003 – present

Steven Jacobs

EVP & Chief Financial Officer

Business Background (preceding five years):

Summit Brokerage Services, Inc. Jul. 2002 – present

Summit Financial Group, Inc. Aug. 2003 – present

Educational Background:

BA in Accounting – University of Florida, Gainesville, FL 1982

Fred G. Fram

EVP & Chief Compliance Officer

Business Background (preceding five years):

Summit Brokerage Services, Inc. Jan. 2010 - Present

Summit Financial Group, Inc. Jan. 2010 - Present

Stanford Group Company Jun. 2006 – Jan. 2010

Educational Background:

University of Texas Graduate School of Business – Austin, Texas – Masters of Business Administration in General Business

University of Texas – Austin, TX – Bachelor of Business Administration in Finance

None of the Principal Executive Officers and Management persons listed have had any complaints or reportable disciplinary events occurring within the past ten years.