

## **Summit Street Capital Management, LLC**

509 Madison Avenue, Suite 502  
New York, NY 10022  
(212) 750-7036  
[info@ssvfunds.com](mailto:info@ssvfunds.com)  
[www.ssvfunds.com](http://www.ssvfunds.com)

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This brochure provides information about the qualifications and business practices of Summit Street Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 212.750.7036 or [info@ssvfunds.com](mailto:info@ssvfunds.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration with the SEC does not imply a certain level of skill or training. The oral and written communications of an Adviser provide you with information with which you determine to hire or retain an Adviser.

This document is not an advertisement, an offer to sell or the solicitation of an offer to purchase interests in any fund managed by Summit Street. Offers to invest in any such interests may be made only pursuant to appropriate offering documents. Potential partners must be qualified and approved prior to investing.

Additional information about Summit Street Capital Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

This Item of the Brochure will discuss only specific material changes that have been made to the Brochure and provide clients a summary of any such changes. The most recent issuance of the Brochure was August 16, 2012. There have been no material changes as part of this update.

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## **Item 4: Advisory Business**

Summit Street Capital Management, LLC (“Summit Street” or the “Firm”) was established in 2009. Arthur T. Williams, III, Jennifer A. Wallace, and Judd Kahn are the Managing Members and principal owners of Summit Street.

Summit Street provides investment management services on a discretionary basis to a privately offered pooled investment vehicle (the “Fund”) exempt from registration under the Investment Company Act of 1940, as amended. Investment advice is provided directly to the Fund and not the limited partners in the Fund. Summit Street also provides investment management services to separately managed accounts (the “Accounts”) which may follow an investment program similar to or different from the investment program of the Fund. The Fund and separately managed accounts are collectively referred to as “Clients” or the “Investment Portfolios,” the term “Partner” refers specifically to a limited partner in the Fund, and the term “Investor” refers to both limited partners in the fund and the beneficial owners of the separately managed accounts.

As of March 15, 2013, discretionary assets under management were approximately \$66 million.

Additional information about Summit Street’s investment strategy and principal investment objective is included below in item 8 of this brochure.

## **Item 5: Fees and Compensation**

### General Compensation

As explained more fully in the Fund’s offering documents and investment management agreements, Summit Street receives asset-based fees for investment management services of 1.5% annually. Summit Street and/or an affiliate, who is the Fund’s General Partner, Summit Street Partners, LLC, (the “General Partner”) also receive annually an incentive allocation fee. Summit Street may, in its sole discretion, elect to waive, reduce, or change the terms of the asset-based fee and the incentive allocation with respect to the capital account of any Investor, including Investors who are affiliated with Summit Street, without notifying or reducing the fees with respect to any other Investor.

### Assessment of Compensation

As explained more fully in the Fund’s offering documents, the asset-based fees are payable monthly in arrears and deducted from each Partner’s capital account. Management fees for separately managed accounts are paid and collected in accordance with the terms of the investment management agreements and typically according to the same schedule as the Fund. Summit Street may offer other rights or privileges to certain Investors without notifying or offering the same rights or privileges to any other Investor.

### Expenses

Summit Street’s fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which are associated with certain other aspects of the management of the Investment Portfolios and which are incurred by the Clients. These expenses include, for example, custodian fees, brokerage fees and other transaction costs; sub-advisory fees (if any); accounting expenses; regulatory expenses; the cost of third-party software and systems relating to trading, risk management and operations infrastructure; insurance expenses; entity-level taxes; organizational expenses; and fees paid to third-party service providers, such as prime brokers,

administrators, lawyers, accountants and consultants. Item 12 of this brochure describes the factors that Summit Street considers in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation (e.g., commissions). Potential investors should review the appropriate offering documents and investment management agreements for complete disclosure of permissible expenses.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

As described in item 5 above, Summit Street manages the Fund and the Accounts, and it or its affiliated General Partner receives an incentive allocation fee. The fee is payable at the end of each fiscal year and is equal to 15% of the lesser of a) the net capital appreciation credited to each Investor, subject to a high water mark, or b) the amount that such Investor's net capital appreciation exceeds the amount that would have been earned had the Investor's capital account been invested in the S&P 500 index for the period. Summit Street or the General Partner may, in its sole discretion, elect to waive all or part of the incentive allocation otherwise due with respect to any Investor's investment without waiving it for any other Investor.

In addition and as a general proposition, performance-based fees may create an incentive for Summit Street to make investments that are riskier or more speculative than would be the case if Summit Street did not charge performance-based fees. In addition, since the performance-based fee is calculated on a basis that includes unrealized appreciation of assets, the incentive may be greater than if such allocation were based solely on realized gains. Summit Street also recognizes that such fee arrangements create an incentive to favor in the allocation of investment opportunities higher fee paying Clients over other Clients and that such fee arrangements create an incentive to favor Clients in which the Managing Members have personal capital investments. In order to address these potential conflicts, Summit Street has developed policies and procedures for treating Clients in a fair and equitable manner and to prevent this conflict from influencing the allocation of investment opportunities among Clients. Item 12 of this brochure provides additional information about Summit Street's policies and procedures regarding the allocation of investment opportunities.

## **Item 7: Types of Investors**

Summit Street provides portfolio management services to a private fund and separately managed accounts of qualified investors. Summit Street requires a minimum account size of \$40,000,000 for separately managed accounts and an initial contribution of at least \$1,000,000 for the Fund. Summit Street has discretion to waive or reduce the minimum investment for one or more Investor (or prospective investors) as long as they qualify to invest based on all other suitability and regulatory requirements. Summit Street in its sole discretion may decline to accept an investment even if the proposed Investor satisfies such suitability and regulatory requirements. Summit Street has discretion to accept additional capital contributions in different amounts from one or more Investor without notifying or accepting additional capital from any other Investor.

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

### Methods of Analysis and Investment Strategy

As explained more fully in the Fund's offering documents and the investment management agreements, Summit Street manages the Investment Portfolios with the principal investment objective of seeking long-term capital appreciation by investing in a portfolio of equity securities

of U.S. issuers. Summit Street's investment strategy is based upon a fundamental, research-driven security selection process. While attention is paid to general macroeconomic conditions, Summit Street believes that the underlying stock selection is the critical determinant to achieving investment results. No assurances can be given that the investment objective will be achieved and investment results may vary substantially.

Summit Street employs a quality-oriented, value-based investment strategy that is grounded in the direct relationship between a company's long term sustainable financial returns and its intrinsic value. Financial returns are measures of the profits that a company generates relative to the required level of investment in its business(es). The intrinsic value of a business is a measure of the value today of the cash flows that a company can distribute to its owners over time. Summit Street believes that portfolios of high return businesses whose securities are purchased at a discount to their intrinsic value generate higher rates of appreciation than the overall market over time.

Summit Street focuses exclusively on companies that in its view have high returns on invested capital, are well-capitalized, and are undervalued based on normalized and sustainable operating earnings. Summit Street implements its investment strategy through a three step investment process:

- Search - Systematically narrow the universe of US public companies down to attractive businesses with little to no debt that are trading at an apparent discount to intrinsic value. Summit Street looks for these potential mis-pricings across all public equities that meet its quality and minimum size and liquidity requirements.
- Fundamental research - Confirm demonstrated earnings, estimate sustainable profitability and intrinsic value, and develop investment thesis.
- Construct and manage - Investment Portfolios will generally hold both (i) long positions in securities of companies which, in the Firm's view, have characteristics such as a strong balance sheet, high sustainable returns on capital, a history of successful capital allocation, an absence of barriers to value realization, and a reasonable valuation relative to sustainable earnings and/or intrinsic value and (ii) cash instruments. Summit Street's policy is to use no leverage in its Investment Portfolios, although they may occasionally incur a short-term debit balance between trade and settlement dates.

Summit Street's Investment Portfolios contain what it believes to be companies with the strongest fundamental characteristics that are the most undervalued.

#### Risk of Loss

**As a general matter, investing in securities involves a risk of loss including the loss of principal that Investors should be prepared to bear.** Although Summit Street tries to mitigate risks, the Firm's specific investment program involves a substantial degree of risk. Examples of such risks include, but are not limited to:

- Management risk: There can be no assurances that the investment strategy, the implementation of which is subject to a number of internal and external constraints, will produce the desired results. In addition, there is a risk that Summit Street's judgment about securities and portfolio construction may not be correct and could adversely affect investment performance.

- General market and economic risk: Securities markets can be volatile and the trading prices of equity securities can fluctuate in response to a variety of factors including events impacting a single issuer, as well as political, market, and economic developments. These include changes in interest rates, availability of credit, and inflation rates and may affect specific market segments and/or the stock market as a whole as well as the liquidity and pricing of Summit Street's investments.
- Counterparty risk (including settlement and default risks).
- Regulatory risk: Legal, tax, and regulatory changes may occur that may adversely affect Summit Street's investments.

These and other investment risks are described more fully in the Fund's offering documents.

## **Item 9: Disciplinary Information**

Summit Street has no legal or disciplinary events to report that would impact the evaluation by an Investor (or potential investor) of Summit Street's advisory business or the integrity of its management.

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

Summit Street Capital Management, LLC is the Investment Manager of the Summit Street U.S. Equity Fund, LP. Summit Street Partners, LLC (an affiliate) is the General Partner of the Summit Street U.S. Equity Fund, L.P. Arthur T. Williams, III, Jennifer A. Wallace, and Judd Kahn are the Managing Members of both entities.

Since Summit Street and its affiliates manage both the Fund and the Accounts, it is possible that Summit Street may face, in certain circumstances, competing fiduciary duties it owes to various Clients. Because Summit Street generally applies its investment strategy consistently on behalf of all Clients, Summit Street believes that the potential conflicts are limited. Nevertheless, any conflicts that do arise could affect the prices and availability of the financial instruments and assets in which the Fund invests. It is the policy of Summit Street to allocate investment opportunities fairly and equitably over time. Additional information about Summit Street's allocation of investment opportunities is provided in item 12 of this brochure.

Summit Street and its personnel will devote to the Fund and the Accounts as much time as deemed reasonably necessary and appropriate. By the terms of the Fund's offering documents, Summit Street is not restricted from forming additional investment funds, from entering into other investment advisory relationships or from engaging in other business activities, even though such activities may be in competition with the Fund and/or may involve substantial time and resources of Summit Street. These activities could be viewed as creating a conflict of interest with respect to the time and effort of Summit Street and its personnel.

## **Item 11: Code of Ethics and Personal Trading**

To help ensure the satisfaction of Summit Street's fiduciary duty to its Clients, the Firm has adopted a Code of Ethics (the "Code") for all supervised persons of the Firm. The Code is designed to assure that the personal securities transactions, activities, and interests of its employees will not interfere with making decisions in the best interest of Clients. The Code includes provisions relating to the confidentiality of Investor information, a prohibition on insider trading, guidelines surrounding gifts and business entertainment items, personal securities

trading, political contributions, among other conflicts of interests. The Code incorporates the following general principles that all employees are expected to uphold: (i) employees must at all times place the interests of Clients first; (ii) all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest must be avoided or appropriately mitigated; (iii) employees must not take any inappropriate advantage of their positions of trust and responsibility; (iv) information concerning the identity of securities and financial circumstances of Investors must be kept confidential; and (v) independence in the investment decision-making process must be maintained at all times.

The Code also places restrictions on personal trading by employees. As a general matter, employees of Summit Street may maintain personal securities accounts provided that all personal investing by an employee in any account in which the employee has a beneficial interest is consistent with the Firm's personal trading guidelines and applicable regulatory requirements. Employees of the Firm may also buy or sell for their personal accounts (managed by Summit Street or otherwise) the same or similar securities to those owned by Clients. All reportable transactions are reported to the Compliance Officer in accordance with the reporting requirements outlined in the Code and personal trading is monitored in order to reasonably prevent conflicts of interest between Summit Street and its Clients.

All supervised persons must acknowledge and agree to comply with the terms of the Code initially upon hire as well as annually, or as amended. Investors and prospective Investors may request a copy of the Code of Ethics by contacting Summit Street at the email address or the phone number listed on the first page of this brochure.

Finally, Summit Street also maintains insider trading policies and procedures that are designed to prevent the misuse of material, nonpublic information. Summit Street's personnel are required to certify their compliance with the Firm's insider trading policies and procedures on a periodic basis.

## **Item 12: Brokerage Practices**

### General Practices

Summit Street has discretion over what securities and the amount to be bought and sold, the broker or dealer to be used as well as the commission rates to be paid.

### Broker Selection and Evaluation

Transactions are generally allocated to brokers on the basis of best available execution and in consideration of such broker's provision or payment of the costs of brokerage and research and custodianship services. In evaluating whether a broker-dealer will provide best execution, Summit Street may consider various factors, including price discovery, commission rates, reliability, financial responsibility, ability to manage market impact, strength of the broker-dealer and ability of the broker-dealer to efficiently execute transactions. Summit Street, however, does not necessarily consider each factor in every trade. In addition, and subject to its obligation to seek best execution, Summit Street is not required to consider any particular criteria, need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost.

### Soft Dollars

Where, considering all relevant factors, Summit Street believes a broker-dealer can provide best execution, the Firm may select a broker-dealer in recognition of the value of various research and services, beyond transaction execution, that the broker-dealer provides to the Firm and its Clients. Any use of soft dollars to pay for research and brokerage services will come within the safe harbor criteria of Section 28(e) of the Securities Exchange Act of 1934, as amended, which provides, in summary, that it is not a breach of fiduciary duty for an adviser to cause an account to pay a commission in excess of the lowest rate available if the adviser determines in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided.

The availability of external research could also influence Summit Street's selection of brokers and lead it to pay higher commission rates to research-providing brokers than the rates available from execution-only brokers, all in the manner described under best execution above. Therefore, Summit Street may have an incentive to select a broker-dealer based on its interest in receiving the research or other services provided. Generally, research services provided by broker-dealers may include information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues. Such research services may be provided in the form of access to various computer-generated data and computer software. In some cases, research services are generated by third parties but are provided to Summit Street by or through broker-dealers.

The use of soft dollars may create conflicts of interest as the use of soft dollar brokerage commissions provides a benefit to Summit Street since it is therefore relieved of having to produce or pay for the research, products or services. Another potential conflict surrounding soft dollar usage arises when soft dollar credits generated by the trading of one account are applied to obtain research benefiting different or multiple accounts. Summit Street has developed procedures for reviewing soft dollar arrangements on a periodic basis to determine compliance with Section 28(e) and to ensure any potential conflicts are adequately addressed and disclosed. Summit Street also monitors commissions and soft dollar benefits to assess the benefits of the research obtained in relationship to the costs. It is Summit Street's policy to use soft-dollar benefits to service all of its Clients regardless of brokerage expense proportionality. Summit Street does have arrangements pursuant to which the Firm has and may continue to receive research and brokerage services.

#### Trade Allocation and Aggregation

It is the policy of Summit Street to allocate investment opportunities fairly and equitably over time. Pursuant to this, investments are typically allocated *pari passu* across all Clients based on the percentage of each Client's assets, taking into account, among other considerations: (i) the potential for the proposed investment to create an imbalance in each Investment Portfolio (taking into account expected inflows and outflows of capital); (ii) liquidity requirements of the Investment Portfolios; (iii) potentially adverse tax consequences; (iv) regulatory and other restrictions that would or could limit a Client's ability to hold a security; and (v) the need to re-size exposure for an Investment Portfolio. Such considerations may result in allocations on other than on a purely *pari passu* basis.

Subject to the factors described above, Summit Street may, for a number of reasons, aggregate brokerage orders for Clients rather than execute individual transactions for each account. Some of these reasons include: (i) obtaining lower commission rates; (ii) avoiding the time and expense of simultaneously entering similar orders for multiple Investment portfolios that are managed similarly; (iii) ensuring that all Investment Portfolios obtain the same execution to minimize differences in performance; and (iv) obtaining a better execution price even though the commission rate may be higher than the lowest rate otherwise available. Consistent with its obligation to seek best execution, Summit Street aggregates Client orders whenever possible. Summit Street has developed procedures to ensure that purchase and/or sell orders which have been aggregated are fairly allocated so that, over time, all Clients are treated fairly and consistent with their investment objectives. When an aggregated order is filled through multiple trades at different prices on the same day, Clients will receive the average price with transaction costs allocated pro rata based on the initial order, but allocations may be modified on a basis that Summit Street deems appropriate, including for example, in order to avoid odd lots or *de minimis* allocations.

### **Item 13: Review of Accounts**

#### Reviews

Portfolio reviews are primarily conducted by the Portfolio Managers on a regular basis. Reviews include an analysis of position sizing based on the fundamental developments related to the portfolio investments and changes in share price.

#### Reporting

For the Fund, the Administrator makes available to each Partner a monthly statement summarizing the performance of their capital account during the period. Summit Street also currently distributes to each Investor a monthly report which includes information about investment performance and portfolio characteristics.

The Fund and the Accounts receive statements no less than quarterly from a qualified custodian detailing account holdings and activity.

On an annual basis, each Partner receives a copy of the Fund's audited financial statements and tax reporting information. In addition, Summit Street currently provides Investors with a year-end letter, which includes commentary, investment and organizational updates, and performance information. Summit Street may also provide additional information as requested by its Investors provided that such requests are deemed reasonable in content and scope.

Reports for separately managed accounts are made in accordance with investment management agreements which are generally consistent with the reporting with respect to the Fund.

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

Summit Street has agreements with third-party marketers that may solicit Clients for the Adviser or limited partners for the Fund. Summit Street believes that each arrangement complies with Rule 206(4)-3 of the Advisers Act.

Third-party marketers are generally compensated by Summit Street with a percentage share of the management fees or by the General Partner with a percentage share of the incentive

allocation. No additional fees are added to those that are already charged to the Investors as a result of Summit Street's participation in these arrangements.

### **Item 15: Custody**

Summit Street does not maintain physical possession of Client cash and/or securities. However, the Managing Members of the General Partner of the Fund also serve as the Managing Members of Summit Street. As a consequence, Summit Street does have access to cash and securities in the Fund, along with the authority to perform various acts that may be deemed to result in custody, as defined under Rule 206(4)-2 of the Advisers Act.

Cash and securities are maintained at a qualified custodian within the meaning of the Adviser's Act. Clients will receive account statements directly from a qualified custodian at least quarterly. Clients should carefully review the account statements received from the custodian and compare the statements with reports they receive from Summit Street.

The financial statements of the Fund are audited annually in accordance with GAAP by Anchin, Block, and Anchin, LLP, an independent public accounting Firm that is registered with, and subject to regular inspection by, the Public Accounting Oversight Board. Copies of the audited financial statements are distributed to each Partner within 120 days of the Fund's fiscal year end.

### **Item 16: Investment Discretion**

Summit Street receives discretionary authority from Clients pursuant to an investment management agreement entered into at the outset of an advisory relationship. In all cases, discretion is exercised in a manner consistent with the Client's stated investment objectives. Clients with investment guidelines and restrictions must provide them to Summit Street in writing.

### **Item 17: Voting Client Securities**

Summit Street has proxy voting authority with respect to all Investment Portfolios unless otherwise agreed upon with a Client. In giving discretionary management authority to Summit Street, Clients have granted Summit Street voting authorization and will not participate in proxy voting decisions. Summit Street exercises its proxy voting authority in accordance with its proxy voting policies and procedures that are aimed at achieving the goal of voting proxies in the best interest of Clients.

Summit Street's general policy is to vote proxies in accordance with the recommendation of a company's management. However, Summit Street may vote to oppose a recommendation in certain circumstances, particularly in matters deemed "non-routine," such as matters that (i) may measurably change the structure, management control, or operation of the company; (ii) may measurably change the terms of, or fees and expenses associated with, an investment in the company; and (iii) are inconsistent with customary industry standards and practices in a manner that may measurably impact the value of an investment in the company. In certain circumstances, Summit Street also may refrain from voting proxies when it believes that that is in the best interest of Clients.

Summit Street believes that its policies and procedures setting parameters for voting combined with its independent, private ownership structure significantly limit the potential for conflicts of interest in the proxy voting process. If a conflict of interest were to arise, the policies and

procedures set forth potential measures to address the conflict, which may include referral to a third party or other extraordinary steps.

A copy of Summit Street's Proxy Voting Policy and Procedures, as well as information related to how proxies were voted, may be obtained by contacting Summit Street at the email address or the phone number listed on the first page of this brochure.

### **Item 18: Financial Information**

Registered investment advisers are required in this item to provide certain information or disclosures about the Firm's financial condition. The Managing Members of Summit Street believe that the Firm is financially sound, well capitalized and has no financial issues that would impair its ability to meet contractual and fiduciary commitments to Clients. Summit Street does not require the prepayment of fees and has not been subject to a bankruptcy proceeding.