



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

### **Summit Capital Management LLC**

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02/04/2015

This brochure provides information about the qualifications and business practices of Summit Capital Management LLC ("Summit"). If you have any questions about the contents of this brochure, please contact us at 206-447-6200 or via email to [lisa@summitcapital.com](mailto:lisa@summitcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Summit Capital Management LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 106812.

Registration with the Securities and Exchange Commission does not imply any level of skill or training.

## **Item 2     Material Changes**

This Item provides our clients with a summary of material changes from our last update to our Brochure, which was dated 04/17/2014.

There were no material changes since our last update.

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## Item 4     **Advisory Business**

Summit Capital Management LLC, a wholly owned subsidiary of Summit Capital Group LLC (Summit Capital, Summit, us, we, our) is a SEC-registered investment adviser with its principal place of business located in Washington. Summit began conducting business in 1996.

Listed below are the firm's principal shareholders (i.e. those individuals and/or entities controlling 25% or more of this company):

- Summit Capital Group LLC, Owner

In addition, the following information identifies individuals that indirectly own 25% or more of our firm:

- Robert Martin, Managing Member
- David Martin, Member

Summit Capital Management LLC offers the following advisory services to our clients:

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions, we identify a client's goals and objectives based on their particular circumstances. Summit manages their portfolio based on those parameters. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e. growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will primarily include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities

- Partnerships, hedge funds, and private equity funds
- Interests in partnerships investing in other limited partnerships or hedge funds of funds
- private securities

Our investment recommendations may also occasionally include advice regarding the following securities:

- Foreign issuers
- Options contracts on commodities
- Futures contracts on tangibles
- Warrants
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests
- Commercial paper
- Variable annuities

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity, and suitability.

## AMOUNT OF MANAGED ASSETS

As of 12/31/14, we were actively managing \$571,229,000 of clients' assets on a discretionary basis plus \$51,638,000 of clients' assets on a non-discretionary basis.

## Item 5 Fees and Compensation

### INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT FEES

Advisory Fees for Separately Managed Accounts:

Our annual fees for Investment Supervisory Services are based upon a percentage of assets under management and generally range from 0.375% to 1.50%.

General Information on Advisory Services and Fees:

1. Fees are negotiable within the ranges identified above.
2. Annual advisory fees are payable quarterly in advance of the service. These fees are deducted directly from each managed account. Each quarterly fee is reflected on the client's account statement sent by the custodian.
3. In limited cases (approx 1% of clients), we directly invoice the client due to special circumstances. Because these fees are paid separate from the clients' accounts, they are not reflected on the statements sent by the custodian.
4. For fee calculation purposes, the fees we charge are based on Summit's calculated portfolio

values, not the value as reported by a client's custodian or the custodian of the LP assets to you or Limited Partner investors. The discrepancy (our portfolio value may be higher or lower than reported by the custodian) may be due to security valuation issues, interest payments due (or payable), settlement or other activity, unmanaged assets in the portfolio (which are not charged an advisory fee), among other factors.

5. Summit's advisory fees are charged as described above and are not based upon the capital gains or appreciation of the funds or securities in an account (except for the performance-based fees charged to the limited partnership and limited partner investors).
6. Summit does not charge performance based fees on separately managed accounts.

## **Performance-Based Fees**

Advisory Fees for Investment Limited Partnerships:

Summit is compensated in two ways from the limited partnership to which we act as an investment adviser:

- **Base Fee:** The general partner is paid a base advisory fee of 1% per year billed quarterly at a rate of 0.25%; and
- **Performance Fee:** The general partner is paid an annual profit allocation of 10% of the net profits of the partnership, including realized and unrealized gains and losses, to the extent that the net profit for the Fund (and each limited partner investor) exceeds any prior un-recouped losses (i.e., "high water mark").

Performance fees are charged in accordance with the guidelines and requirements of the Investment Advisers Act of 1940 (IA Act)

In some circumstances, Summit will receive increased compensation with regard to unrealized gains (appreciation) in the Fund including potential gains from hard to value securities under Financial Account Standard Topic 820 accounting rules; this may impact each limited partner investor in the Fund.

The general partner has the ability to enter into special arrangements with individual limited partners that may have different terms such as lower fees or different rights than those provided in the limited partnership agreement. These special arrangements are detailed in side letters.

The general partner has the ability to designate certain side pocket investments, such as investments in illiquid funds, accounts or securities, or funds, accounts or securities that do not have a readily ascertainable market value. These side pocket investments will be carried in separate bookkeeping accounts called side pocket accounts. Assets held in side pocket accounts will be included for purposes of calculating the management fee. Expenses specifically relating to a side pocket investment, including applicable management fees will be allocated only to the capital accounts of the limited partners holding side pocket interests.

Accordingly, clients paying performance-based fees are directed to the "Performance-Based Fees" section (Item 6) below for more comprehensive disclosures, including potential conflicts of interest resulting from this type of compensation.

***Limited Negotiability of Advisory Fees:***

Although Summit has established the aforementioned fee schedule, we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances, and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

**GENERAL INFORMATION*****Termination of Separately Managed Accounts:***

A client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will prorate the reimbursement according to the number of days remaining in the billing period.

***Termination of Limited Partnership Interests:***

The investment limited partnership is terminated on the expiration of the partnership or the dissolution of the partnership as described in the partnership agreement. Limited partner investors in Echelon Partners LP may withdraw capital from their capital accounts on June 30 and December 31 of each calendar year with 90 days advance written notice or at other times at the discretion of the general partner.

***Mutual Fund and ETF Fees:***

All fees paid to Summit for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our firm's fees to fully understand the total amount of fees to be paid by the

client and to thereby evaluate the advisory services being provided.

***Additional Fees and Expenses:***

In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers. Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***ERISA Accounts:***

Summit is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Summit may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset Summit's advisory fees.

***Advisory Fees in General:***

Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Limited Prepayment of Fees:***

Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

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

### **PERFORMANCE-BASED FEES**

As we disclosed in Item 5 of this Brochure, our firm accepts performance-based fees from the limited partnership to which we act as an investment advisor. Such performance-based fees are calculated based on an annual profit allocation of 10% of the net profits of the partnership (including realized and unrealized gains and losses) to the extent that the net profit for the Fund (and each limited partner investor) exceeds any prior un-recouped losses (also known as a "high water mark").

To qualify for a performance-based fee arrangement, a client (or Fund investor, as applicable) must either demonstrate a net worth of at least \$2,000,000 excluding the value of a primary residence or must have at least \$1,000,000 under management immediately after entering into a management agreement with us.

Clients should be aware that performance-based fee arrangements can create conflicts of interest that may impair the objectivity of our firm and our employees when making advisory recommendations. These conflicts include:



- The incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.
- Since we also have clients who do not pay performance-based fees, we have an incentive to favor accounts or allocate trades to accounts that do pay such fees (such as limited partnership accounts) because compensation we receive from partnership accounts is more directly tied to the performance of those accounts.
- We may benefit from appreciation, including unrealized appreciation in the value of partnership assets. Because performance-based fees are tied to the Net Asset Value of the partnership (and its investments) and such valuation includes gains which may never be realized, situations involving uncertainties as to the valuation of partnership assets could have an adverse effect on the Net Asset Value or result in the General Partner receiving compensation for gains that are never realized by the partnership and its limited partners.

Summit endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to minimize these conflicts:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated limited partnerships;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we have policies and procedures to address fair allocation of orders among clients, which includes a pre-allocation statement detailing the clients participating in the order
- we have a quarterly Valuation Committee Review of all illiquid securities, as well as those securities where no value can be readily determined to assign a fair market value utilizing the best information reasonably available;
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

## **Item 7    Types of Clients**

Summit Capital Management LLC provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Other pooled investment vehicles(e.g., hedge funds)
- Charitable organizations
- Corporations or other businesses not listed above

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

### METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Charting.** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

A risk in using charting analysis is that assumptions based on previous trends may prove to be incorrect in predicting future activity.

**Quantitative Analysis.** We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**Qualitative Analysis.** We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

**Asset Allocation.** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Mutual Fund and/or ETF Analysis.** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or

ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **INVESTMENT STRATEGIES**

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Trading.** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

Utilizing a trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize. Moreover, under those circumstances, we are left with few options:

- having a long-term investment in a security that was designed to be a short-term purchase, or
- the potential of having to take a loss.

In addition, because this strategy involves more frequent trading than does a longer-term strategy, there will be a resultant increase in brokerage and other transaction-related costs, as well as less

favorable tax treatment of short-term capital gains.

**Short sales.** We borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

**Margin transactions.** We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

**Option writing.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on a security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

A risk of covered calls is that the option buyer does not have to exercise the option, so that if we want to sell the stock prior to the end of the option agreement, we have to buy the option back from the option buyer, for a possible loss.

A risk of spreading strategies is that the ability to fully profit from a price swing is limited.

**Risk of Loss.** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

## **Item 9     Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

## Item 10 Other Financial Industry Activities and Affiliations

### ***Other pooled investment vehicles:***

Management personnel of Summit are also managing members of limited liability companies (LLCs) and/or general partners to limited partnerships (LPs) formed for investment purposes. As appropriate, our advisory clients may be solicited to invest in such LLCs and/or LPs.

Summit is the investment adviser to Echelon Partners LP. The partnership is serviced by a general partner which is majority owned by members of Summit.

Because investment in these types of entities may involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

Related persons of our firm may spend as much as 15% of their time on these related activities.

A list of all affiliated entities is specifically disclosed on Schedule D, Section 7.B of Form ADV Part 1. Part 1 of our Form ADV can be accessed by following the directions for additional information provided on the Cover Page of this Firm Brochure.

Clients interested in investing in the partnership should refer to the partnership's private placement memorandum for more information.

### ***Registered Representative:***

In addition, one principal employee (David Martin) is a Registered Representative (RR) and Insurance Agent of an unaffiliated firm, Nelson Securities, a registered broker dealer and insurance broker. Nelson is licensed with the SEC and the Financial Industry Regulatory Authority (FINRA) and is also a member of the Securities Investors Protection Corporation (SIPC). In addition, employee Lisa Burke is also licensed as a RR with Nelson.

Summit prohibits any Summit client or employee from directing investment advisory client trading to Nelson Securities, including insurance services (annuities).

The continued registration status is part of a legacy issue; these registrations were in place prior to the merger of Summit and MIG; Summit no longer uses Nelson for securities transactions and does not recommend or purchase insurance products for Summit clients. Compensation may continue to flow to any of these individuals in the form of residual commissions (12b-1 fees) from mutual funds or annuities that invest in mutual funds.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Summit and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of securities transactions made by the firm's access persons. All new employees are required to provide initial securities holdings reports as well as maintain their accounts at our custodian, Fidelity, for periodic review or acquire a special approval to maintain a securities account at an outside firm. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Summit's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email to [lisa@summitcapital.com](mailto:lisa@summitcapital.com), or by calling us at 206-447-6200.

Robert Martin is also the managing member of Echelon Capital LLC, the General Partner for Echelon Partners LP. Echelon Partners LP is a member of LLCs referred to as special purpose vehicles (SPVs). These SPVs are formed for the purpose of investing primarily in private companies.

Summit has been designated as having primary responsibility for investment management and administrative matters, such as accounting tax and periodic reporting, pertaining to these entities. Summit and our members, officers and employees will devote as much time as we deem necessary and appropriate to manage these. Summit and our affiliates are not restricted from forming additional investment funds, entering into other investment advisory relationships or engaging in other business activities, even though such activities may involve substantial time and resources of our firm and our affiliates. Potentially, such activities could be viewed as creating a conflict of interest in that the time and effort of our management personnel and employees will not be devoted exclusively to the business of the funds, but could be allocated between the business of the fund and other of our business activities and those of our affiliates. It is anticipated that the principals and employees spend less than 15% of their time on non-investment related matters.

Investments in the fund may be recommended to advisory clients for whom a partnership investment may be more suitable than would a separate advisory account managed by our firm. Clients who invest in the fund are not charged any additional advisory fees other than the advisory fee allocated to the limited partners of the fund.

The fund is not required to register as an investment company under the Investment Company Act of 1940 in reliance upon an exemption available to funds whose securities are not publicly offered. Summit manages the funds on a discretionary basis in accordance with the terms and conditions of the funds' offering and organizational documents.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and

interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person may have an interest or position in certain securities which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be based on the number of shares traded for each client. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account receiving the average share price. Our employee accounts will be included in the pro-rata allocation. If a random allocation is more efficient due to trade cost and allocation size, then all employee accounts are excluded from the allocation that day.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. We regularly review holdings, transactions, and allocations of trades for client and employee accounts, to ensure compliance with our policies and procedures and verify no account was advantaged or disadvantaged.
5. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
6. We have established procedures for the maintenance of all required books and records.
7. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
8. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
9. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
10. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
11. Any individual who violates any of the above restrictions may be subject to termination.

## Item 12 Brokerage Practices

Summit will endeavor to select those brokers or dealers which will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's stability, reputation, ability to provide professional services, competitive commission rates and prices, research, trading platform, and other services which will help Summit in providing investment management services to clients. We may, therefore recommend (or use) the use of a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

Consistent with obtaining best execution for clients, we may direct brokerage transactions for clients' portfolios to brokers who provide research and execution services to Summit and, indirectly, to Summit's clients. These services are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment our own internal research and investment strategy capabilities. This may be done without prior agreement or understanding by the client (and done at our discretion). Research services obtained through the use of soft dollars may be developed by brokers to whom brokerage is directed or by third-parties which are compensated by the broker. Summit does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research we receive will help us to fulfill our overall duty to our clients. Summit may not use each particular research service, however, to service each client. As a result, a client may pay brokerage commissions that are used, in part, to purchase research services that are not used to benefit that specific client. Broker-dealers we select may be paid commissions for effecting transactions for our clients that exceed the amounts other broker-dealers would have charged for effecting these transactions if Summit determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or our overall duty to its ('brokerage') discretionary client accounts.

Certain items obtainable with soft dollars may not be used exclusively for either execution or research services. The cost of such "mixed-use" products or services will be fairly allocated and Summit makes a good faith effort to determine the percentage of such products or services which may be considered as investment research. The portions of the costs attributable to non-research usage of such products or services are paid by our firm in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934.

When Summit uses client brokerage commissions to obtain research or brokerage services, we receive a benefit to the extent that we do not have to produce such products internally or compensate third-parties with our own money for the delivery of such services. Therefore, such use of client brokerage commissions results in a conflict of interest, because we have an incentive to direct client brokerage to those brokers who provide research and services we utilize, even if these brokers do not offer the best price or commission rates for our clients. To address this potential conflict, Summit has in place a best execution / soft dollar committee that monitors all brokers we use, our soft dollar commitments and the status of those commitments (and credits generated) throughout each calendar year. Summit does not exclude any broker or dealer from consideration because they do not provide research or other services to us.

Summit has an active soft dollar relationship with National Financial Services LLC and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity"). Summit earns soft dollar credits as a portion of the commissions charged to our clients for security transactions we place with them. As a result of the soft dollar credits earned, Summit is able to purchase certain research related services, software, data or products with client commissions. Fidelity provides their "platform" services at no



additional charge to us. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like Summit in conducting business and in serving the best interests of our clients but that may also benefit us.

Within our last fiscal year, products and services we have obtained on a soft dollar basis include, but are not limited to the following:

- Bloomberg;
- Advent Axys portfolio management software and Advent Moxy (trading and order management software);
- Grants Interest Rate Observer;
- Street Account

Without this arrangement, we might be compelled to purchase the same or similar services at our own expense.

As a result of receiving such services for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity's services. We examined the potential conflicts of interest when we chose to enter into this relationship and have determined that the relationship is in the best interests of Summit's clients and satisfy our client obligations, including our duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, while Summit will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by us will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. Summit and Fidelity are not affiliated, and no broker-dealer affiliated with us is involved in the relationship between Summit and Fidelity.

For accounts greater than \$125,000, Summit may require that clients provide us with written authority to determine the broker-dealer to use and the commission costs that will be charged to our clients for these transactions. Any limitations on this discretionary authority must be agreed upon by the client and Summit and included in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

Although we recommend Fidelity as a custodian for new clients, accounts with less than \$125,000 in value do not qualify for prime brokerage execution per Fidelity's policy. We therefore cannot be given discretion to determine the broker-dealer to use or the commission costs that will be charged. Hence, accounts valued at less than \$125,000 must execute trades solely at Fidelity and we therefore cannot guarantee best execution.

Individual investment strategies of Summit are managed by different portfolio managers which may or may not share information or discuss investment and trade strategies. For this reason, different portfolio managers of Summit do not typically aggregate (block) trades across different strategies. Because not all trades are aggregated, some clients may receive better prices or be beneficiaries of increased availability. Summit will aggregate (block) trade widely traded liquid securities where possible and when advantageous to clients within the same strategy or across strategies managed by the same portfolio manager.

Even though we do not typically aggregate trades across different strategies, whenever a purchase or sale of an illiquid or limited availability security is contemplated for any strategy, that option will be broadcast and offered to all portfolio managers across all strategies. Each strategy's portfolio

manager will then decide whether the purchase or sale of the contemplated security is suitable for the existing needs of that strategy and the order will be aggregated accordingly.

Blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts. Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Summit will typically aggregate trades among clients whose accounts can be traded at a given broker. Summit's block trading policy and procedures are as follows:

- 1) The trading desk in tandem with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 2) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Summit to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 3) Prior to entry of an aggregated order, an order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 4) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. Adjustments/exceptions to this pro rata allocation (including utilizing a random allocation) may be made for a number of reasons including but not limited to the following: to avoid having odd amounts of shares held in any client account, to avoid excessive ticket charges in smaller accounts, or due to an account's liquidity needs.
- 5) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order. Custodian/broker transaction costs will be based on the number of shares traded for each client.
- 6) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be included on the order ticket.
- 7) Summit's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
- 8) Funds and securities for aggregated orders are clearly identified on Summit's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- 9) No client or account will be favored over another.

## **Item 13    Review of Accounts**

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

#### ***REVIEWS:***

While the underlying securities in our separately managed accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

Accounts are reviewed by the respective Portfolio Manager for each investment strategy; either Matthew C. Rudolf, Robert J. Martin, Kevin Glynn or Andrew Bloom.

#### ***REPORTS:***

In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide quarterly reports summarizing account performance, balances and holdings.

#### ***LP REVIEWS:***

The underlying securities in Echelon Partners LP are continually monitored and reviewed daily by the portfolio manager, Robert J. Martin. The fund is reviewed in the context of the fund's stated investment objective, strategy and guidelines.

#### ***REPORTS:***

Limited partners receive monthly statements summarizing account balances and performance. These statements are prepared and delivered by Archway Technology Partners, our third party administrator.

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

Supervised persons of Summit Capital may be compensated for referring potential clients to our firm.

It is Summit's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **Item 15    Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for

clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

We are deemed to have custody due to the ownership of the general partner to our limited partnership by partners of our firm. Advisers with custody of client assets because they (or a related person) serve as general partner to a pooled investment vehicle like a limited partnership are NOT subject to an annual surprise examination if the private investments are the subject of an annual audit by an independent accountant that is (a) registered with, and (b) subject to regular inspection by, the Public Company Accounting Oversight Board (PCAOB) and an audit report is prepared in accordance with GAAP and distributed to beneficial owners within 120 days of FYE (180 days for fund of funds).

Our proprietary limited partnership undergoes an annual audit performed by our independent auditor Peterson Sullivan LLP.

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17 Voting Client Securities**

We vote proxies for all client accounts; however, you always have the right to vote proxies yourself. You can exercise this right by instructing us in writing to not vote proxies in your account.

We will vote proxies in the best interests of our clients and in accordance with our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision on how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures and/or instruct us on how to cast their vote in a particular proxy by contacting Lisa Burke at 206-447-6200 or by email at [lisa@summitcapital.com](mailto:lisa@summitcapital.com). Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our proxy policies and procedures or how we voted proxies

for his/her account(s), we will promptly provide such information to the client.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies.

We may advise or act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make reasonable efforts to forward such notices in a timely manner.

## **Item 18    Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts and is deemed to have custody, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. Summit has no additional financial circumstances to report.

Summit has not been the subject of a bankruptcy petition at any time during the past ten years.