

Summit Financial Group, Inc.

Form ADV Part 2A

Firm Brochure

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***This brochure provides information about the qualifications and business practices of Summit Financial Group, Inc. ("SFG/we/us/our"). If you have any questions about the contents of this brochure, please contact us at (800) 226-2660. 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.***

***Additional information about SFG is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). SFG's searchable IARD/CRD number is 109485.***

***SFG is a registered investment adviser with the SEC. Our registration as an investment adviser does not imply any particular level of skill or training.***

## Item 2 – Material Changes

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Only material changes since the last annual update of this brochure are to be mentioned in this section. There have been no material changes to this brochure since it was last updated on December 10, 2014.

When we update this brochure, we will either send our clients a copy, or offer to send our clients a copy.

If you would like another copy of this brochure, you may download it from the SEC's investment adviser public disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), or contact us at (800) 226-2660.

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## Item 4 – Advisory Business

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### The Company

SFG is a registered investment adviser based in Boca Raton, Florida, and incorporated under the laws of the state of Florida. Founded in 1995, SFG 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, exchange traded funds, bonds and/or other investments, and/or preparing written investment strategies/financial plans. SFG provides investment advisory and other financial services through its Investment Advisor Representatives ("IARs") to individuals who establish an advisory relationship with SFG. These services are available to both retail clients (for example, smaller accounts of individuals, individual retirement accounts ("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.

SFG is a wholly-owned subsidiary of Summit Brokerage Services, Inc. ("SBS") which is a wholly-owned subsidiary of Summit Financial Services Group, Inc. ("SFSG"). On November 18, 2013, it was announced that SFSG had entered into an agreement to be acquired by RCS Capital Corporation ("RCS"). As of June 11, 2014, that transaction was completed, and SFSG became a wholly owned subsidiary of RCS. RCS is a publicly traded Delaware holding company listed on the New York Stock Exchange, and formed to operate and grow businesses focused on the retail direct investment industry. For a more detailed description of RCS, please visit [www.rcscapital.com](http://www.rcscapital.com). This transaction in no way affected the services provided to you by your Investment Advisor Representative ("IAR").

SBS is SFG's affiliated introducing broker-dealer. SBS clears through Pershing, LLC (a subsidiary of The Bank of New York Mellon Corporation and referred to hereinafter as "Pershing") as well as First Clearing Correspondent Services (an affiliate of Wells Fargo & Company and referred to hereinafter as "FCC"). SBS is registered with the SEC and various 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"). SBS also provides a full range of investment services including stocks, corporate bonds, municipal bonds, government bonds, options, mutual funds, variable annuities, real estate investment trusts and other investment and insurance products.

SBS effects securities transactions for compensation for clients in its capacity as a broker-dealer. The capacity in which SBS acts, the execution price of the security and other pertinent information 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. SFG 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 accounts. To prevent conflicts of interest, all employees of SFG must agree to abide by SFG's Code of Ethics which imposes restrictions on the purchase or sale of securities from their own accounts and the accounts of certain other affiliated persons.

## **Advisory Services Offered**

An SFG IAR will meet with you to determine which advisory service(s) (if any) may be right for you. The IAR will be responsible for performing due diligence on your financial situation including obtaining the necessary information related to your financial situation, your risk tolerance and your investment goals and objectives. If it is determined that an advisory service is appropriate for you, the IAR will complete the appropriate paperwork with you, and provide you with the firm brochure (this document, otherwise called Form ADV Part 2A), as well as his/her brochure supplement (Form ADV Part 2B), which contains certain relevant information related to his/her background. We strongly urge you to carefully review these documents prior to entering into an advisory relationship with your IAR.

The advisory services which may be offered to you include the following.

- **Financial Planning**

An SFG IAR may create a comprehensive or a modular (focused on a specific area or areas) written financial plan for you. After gathering the necessary information, your IAR can use this information to generate a written financial plan which may cover a variety of topics including retirement planning, investment planning, cash flow analysis, college funding, asset allocation (in some cases including asset allocation within a qualified plan), gift giving including charitable gift giving, special family needs, survivor income needs, disability income needs, long term care needs, other insurance needs and estate planning. This is not an ongoing service, and it is considered complete with the delivery of the written financial plan to you. You will need to sign another agreement with your IAR if you wish to have a new or additional written financial plan created.

- **Consulting Program**

An SFG IAR may consult with you regarding a number of pertinent financial topics such as investment planning, retirement planning, insurance planning, charitable gift giving, asset allocation and estate planning. In the course of that consultation, your IAR may (at your direction) also work closely with your attorney, your CPA, or other of your advisors. Consulting services may vary greatly in depth and scope and may be offered on an account(s), and/or a variety of different situations or circumstances which relate to your financial picture. Therefore, depending upon your situation, the amount of time necessary to provide this service may also vary greatly from client to client. Consulting services are available on a one-time basis or as a more continuous service (e.g., in some cases you may pay an annual retainer for your IAR's consulting services), and this will be clearly outlined in the agreement you sign with your IAR.

- **Investment Management Programs**

Our IARs are able to select from a variety of investment management programs. Details regarding the various investment management programs we have available are below.

- **IAR Managed Programs**

Your IAR will assist you in the creation of a portfolio with your investment needs and objectives in mind. You will have the ability to invest in a variety of securities including stocks, bonds, mutual funds, exchange traded funds, or other securities. These accounts

may be discretionary or non-discretionary.

- **Third Party Money Management Programs**

SFG is able to offer you access to a number of institutional-class money managers who will manage your account(s) on a discretionary basis.

- **Managed Mutual Fund and Exchange Traded Fund Accounts**

Managed mutual fund and exchange traded fund accounts offer a variety of portfolios made up of multiple mutual funds and/or exchange traded funds in the form of pre-determined asset allocation models. Through these models, you are able to receive ongoing professional portfolio management as well as automatic rebalancing at regular intervals (e.g., quarterly) in order for your account to remain in line with your investment objectives.

- **Separately Managed Accounts**

A Separately Managed Account offers ongoing professional management and the opportunity to build a customized portfolio of individually owned actively managed securities.

- **Variable Product Advisory Management Program**

An SFG IAR may offer you investment management services on the subaccount allocations within a variable product you own, such as a variable annuity or a variable universal life policy. This service is designed to provide you with ongoing management of the subaccount allocations within your variable product. This service may be provided to you directly by your IAR on a non-discretionary basis. Your IAR may use his/her own analysis, research methods, investment style/strategy and ongoing management philosophy when providing this investment management service to you.

This variable product advisory management program may also be provided to you through a third party money manager your IAR recommends to you. Such third party money managers are responsible for all investment selections made within the subaccounts which are available within your variable product. The methods of analysis, sources of information and investment strategies used by each third party money manager will vary. We strongly encourage you to read the third party money manager's disclosure brochure, Form ADV Part 2A and any other pertinent disclosure document(s) you receive prior to entering into an agreement with a third party money manager. Third party money managers will exercise discretion over your variable product subaccount allocations.

- **Seminars**

From time to time, our IARs may present financial or investment related seminars in an effort to educate their clients and/or the general investing public. The seminar materials and any handouts provided may either be prepared by an IAR or by an unaffiliated publisher or distributor of investment seminar materials. The materials presented at the seminars and the seminars in general are intended to be purely educational in nature. Neither the information discussed at seminars, nor the information contained in the seminar materials or any handouts

which may be distributed are intended as specific investment advice. We do not purport that any information provided to you during the course of a seminar will be appropriate for your situation, or will help you to meet your financial goals or objectives.

Your attendance at a seminar does not require you to complete an advisory agreement with our IAR. If you attend a seminar, you are our client for purposes of the seminar only. You cease to be our client following the conclusion of the seminar unless you subsequently engage us to provide additional advisory services through the execution of an advisory agreement.

- **Retirement Plan Advisory Program**

Our IARs may offer consulting and advisory services for employer-sponsored retirement plans in accordance with the Employee Retirement Income Security Act ("ERISA"). These services are provided on a non-discretionary basis and the retirement plan sponsor retains full discretionary authority over the assets of the retirement plan. The services provided are either ERISA fiduciary services or ERISA non-fiduciary services. When delivering ERISA fiduciary services, SFG will perform those services for the retirement plan as a fiduciary under ERISA Section 3(21)(A)(ii) and will act in good faith and with the degree of diligence, care and skill that a prudent person rendering similar services would exercise under similar circumstances. When providing any ERISA fiduciary services, SFG will solely be making recommendations to the retirement plan sponsor and the retirement plan sponsor retains full discretionary authority or control over assets of the plan.

The services which may be provided are generally set forth below.

**Plan Sponsor Fiduciary Services**

- Recommendations to establish or revise the plan's Investment Policy Statement
- Recommendations to select and monitor the designated investment alternatives
- Recommendations to select and monitor qualified default investment alternatives
- Recommendations to allocate and rebalance model asset allocation portfolios
- Recommendations to select and monitor investment managers

**Plan Sponsor Non-Fiduciary Services**

- Assistance with a plan fiduciary's vendor management (service provider selection/review)
- Assistance with a plan fiduciary's governance and committee review
  - Determining plan objectives and options available through the plan
  - Reviewing retirement plan committee structure and requirements
  - Reviewing participant education and communication strategy
  - Developing requirements for responding to participant requests for additional information
  - Developing and maintaining a fiduciary audit file
  - Attending periodic meetings with the plan committee
- Assistance with plan fiduciaries' vendor management
  - Reviewing fees and services
  - Providing periodic benchmarking of fees and services

- Generating and evaluating service provider requests for proposals and requests for information
- Support with contract negotiation
- Service provider transition and/or plan conversion
- Investment education for plan fiduciaries
  - Help with the retirement plan's investment policy statement
  - Assessment of overall investment structure of the retirement plan
  - Review of the retirement plan's investment options
  - Review of the qualified designated investment alternative
  - Search for and review of investment managers

#### **Plan Participant Non-Fiduciary Services**

- Employee investment education and communication which may include
  - Providing group enrollment and investment education meetings
  - Providing fee specific education
  - Answering individual plan participants' questions
  - Providing periodic updates upon request or through a format such as a newsletter
  - Assisting participants with retirement readiness consultations

In providing retirement plan services, SFG's IARs may establish client relationships with participants of the various retirement plans to whom they provide advisory services. Such relationships may develop in various ways, and if the IAR is engaged to provide advisory services outside of the scope of the advisory agreement executed with the retirement plan sponsor, it may be necessary for that participant to execute an advisory agreement with the IAR on an individual basis.

#### **Assets Under Management**

As of February 28, 2015, we had approximately \$313,274,000 in discretionary assets under management and \$1,279,230,000 in non-discretionary assets under management. Discretionary assets under management are those for which we have an ongoing responsibility to select and make securities recommendations which are in line with your financial needs and objectives and then effect those securities transactions without first consulting you. Non-discretionary assets under management are those for which we have an ongoing responsibility to select and make securities recommendations which are in line with your financial needs and objectives and then effect those securities transactions only after consulting with you to inform you of the transaction(s) and obtaining your approval to move forward.

### **Item 5 – Fees and Compensation**

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We charge fees for our advisory services and those fees vary among the different types of advisory services we offer. More detail on the fees associated with each type of advisory service is provided below. The specific fees associated with your individual advisory service will be detailed in the advisory agreement you complete with your IAR. You should carefully review that document prior to signing it.



- **Financial Planning**

There are two different methods for you to be billed for financial planning, and this is true whether you are to receive a comprehensive financial plan or a modular financial plan. You may be billed in the form of a flat fee, or you may be billed at an hourly rate. A flat fee billing for a written financial plan will typically range from \$200 to \$10,000. Hourly billing will typically not exceed \$400 per hour. These fee ranges are general parameters, and may not apply in every case. The fees are negotiable between you and your IAR, and will usually depend upon the complexity of the financial plan you require. The details of your fee arrangement will be clearly outlined in the advisory agreement you sign with your IAR at the time you engage his/her service.

When you sign the agreement, you will be expected to pay either all or a portion of the fee. If you pay only a portion of the fee upfront, the remainder of the fee must be paid when the written financial plan is delivered to you. You have five business days from the date you sign the advisory agreement to change your mind and terminate the advisory agreement unless you have already received the written financial plan within the first five days, in which case the agreement cannot be terminated as it would be considered complete. If the advisory agreement is terminated within five business days of the date you signed it, the entirety of the fees you have paid will be refunded to you, again, unless you had already received the written financial plan. If you terminate the advisory agreement after five business days, we will prorate the fees you have paid and only the prorated, or unearned, portion of the fees will be returned to you. Termination of the advisory agreement and the return of any or all fees which you paid will mean that you will not receive the written financial plan.

Your IAR may operate in various capacities including, but not limited to, as an IAR offering you various advisory services, as a Registered Representative recommending the purchase or sale of securities or other investment products, or as an Insurance Agent recommending the purchase of insurance products. Your IAR, as part of your financial plan, may make recommendations regarding securities and other investment or insurance products. As such, a conflict of interest exists in the compensation your IAR receives for services offered through the financial planning program and the compensation your IAR receives as a Registered Representative or Insurance Agent on the purchase or sale of securities and other investment or insurance products.

In an effort to reduce this conflict of interest, if your IAR recommends securities or other investment or insurance products through the Financial Planning program, you have the option to purchase or sell such securities, investment, or insurance products through other brokers or agents who are not affiliated with us. You also have the option not to purchase or sell these investments at all.

- **Consulting Program**

There are two different methods for you to be billed for the consulting program. You may be billed in the form of a flat fee, or you may be billed at an hourly rate. A flat fee billing for consulting services will typically range from \$200 to \$10,000. Hourly billing will typically not exceed \$400 per hour. These fee ranges are general parameters, and may not apply in every case. The fees are negotiable between you and your IAR and will usually depend upon the

complexity of the consulting services you require. In either circumstance, the details of your fee arrangement will be clearly outlined in the advisory agreement you sign with your IAR at the time you engage his/her service. The fees agreed upon by you and your IAR will be due upon the signing of the advisory agreement. If you terminate your consulting program advisory agreement, fees may be refunded. However, this will depend on your unique situation because of the varied nature of how consulting services may be provided. If you terminate your agreement, we will review your situation, and the appropriate amount of unearned fees you have paid will be returned to you.

Your IAR may operate in various capacities including, but not limited to, as an IAR offering you various advisory services, as a Registered Representative recommending the purchase or sale of securities products, or as an Insurance Agent recommending the purchase of insurance products. Your IAR, as part of your consulting program, may recommend securities and other investment or insurance products. As such, a conflict of interest exists in the compensation your IAR receives for services offered through the consulting program and the compensation your IAR receives as a Registered Representative or Insurance Agent on the purchase or sale of securities and other investment or insurance products.

In an effort to reduce this conflict of interest, if your IAR recommends securities or other investment or insurance products in the consulting program, you have the option to purchase or sell such securities, investments, or insurance products through other brokers or agents who are not affiliated with us. You also have the option not to purchase or sell these investments at all.

- **Seminars**

If you attend a seminar, there may be a fee associated with your attendance. This fee may or may not include take home material(s)/booklet(s) which you may keep. If there is a fee, you will be made aware of it in advance of your attendance, and it will typically be a fixed fee not to exceed \$100 per person. The IAR who presents the seminar is able to determine whether a fee will be charged, and if so, how much that fee will be (with approval from SFG).

- **Investment Management Programs**

The fees for our investment management programs are negotiable (typically within established ranges) between you and your IAR. This will result in accounts of similar make up being charged different fees. The fees are to be paid quarterly in advance. In many cases, these fees will be deducted directly from your account. However, with SFG's prior approval, you have the option to pay your advisory fees from a different account or by check. If you have approval to pay your advisory fees from another account or by check, the fees must still be paid by you by the payment due date.

Our affiliated broker-dealer, SBS, receives other compensation related to various securities held within your advisory account, which are separate from the advisory fees you pay us. This includes 12b-1 fees. This is addressed in more detail in the 'Other Compensation' portion of this section. This creates a conflict of interest. It gives our IARs incentive to recommend securities and other investment products to you rather than focusing solely on your needs. We address this conflict of interest by offering no-load and load-waived mutual funds within our advisory programs. This means that IARs will not receive any commissions for buying and selling these

mutual funds within the investment management programs.

Some of the products you may invest in within your advisory account charge fees and expenses which are described in detail in the product's prospectus. Please refer to the applicable prospectus for each product you invest in or consult your IAR for details regarding the applicable product-related fees and expenses. Further, there may be additional fees as applicable such as margin interest fees, IRA custody fees, distribution fees, service or clearing charges or other similar administrative fees which will increase the cost to you. Please refer to Item 12, *Brokerage Practices*, where these matters are discussed in greater detail. You should also consult your IAR for further information regarding the additional fees that may apply to your account.

If you terminate your advisory relationship in accordance with the terms of your advisory agreement, we will no longer provide you with investment advice. If assets remain in your account, we will follow your instructions in order to close the account. If advisory fees are charged in advance, you will be entitled to a prorated refund of the pre-paid advisory fee. This refund will be based on the number of days remaining in the quarter. If your IAR leaves SFG, we will terminate the advisory account on your behalf since you will no longer have an IAR assigned to your account. We will not make any changes to the assets held within the account; rather, we will simply terminate the advisory relationship so that you are no longer paying an advisory fee. At that point, you may decide what you would like to do with the assets within the account, and any trades placed will be charged an appropriate commission since the account is no longer fee-based. See below for important details specific to the various programs. More information on each of the investment management programs is available in our Form ADV Part 2A, Appendix 1, also known as the Wrap Fee Program Brochure.

#### **Investment Management Programs available on the FCC Platform**

FCC has a number of programs from which to choose, ranging from programs managed by various third party money managers at Wells Fargo Advisors, by other third party money managers, programs which are directed by you, the client, or programs which are directed by your IAR.

- **FundSource** is a discretionary mutual fund advisory program allowing access to multiple optimal blend portfolios managed by Wells Fargo Advisors' Manager Strategy Group or by Russell Investments. The fees are negotiable between you and your IAR, but generally adhere to the ranges listed below, which are tiered and represented in annualized terms. The minimum account size is \$25,000.

<i>Account Size</i>	<i>Client Fee Range</i>
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%
\$1,000,000 and over	Negotiable

- **Diversified Managed Allocations** is a discretionary separately managed account program managed by Wells Fargo Advisors LLC and third party money

managers. The fees are negotiable between you and your IAR, but generally adhere to the ranges listed below, which are tiered and represented in annualized terms. The minimum account size ranges from \$150,000 to \$1,000,000 depending upon how many managers are selected.

<i>Account Size</i>	<i>Client Fee Range</i>
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%
\$1,000,000 and over	1.00% - 2.00%

- **Wells Fargo Compass** is a discretionary program professionally managed by Wells Fargo Advisors' Manager Strategy Group. The fees are negotiable between you and your IAR, but generally adhere to the ranges listed below, which are tiered and represented in annualized terms. The minimum account size for this program may range from \$50,000 to \$200,000 depending upon the type of account selected.

<i>Account Size</i>	<i>Client Fee Range</i>	
	<u>Asset Allocation or Individual Equities</u>	<u>Fixed Income</u>
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%

- **Masters** is a discretionary professionally managed separate account. The fees are negotiable between you and your IAR, but generally adhere to the ranges listed below, which are tiered and represented in annualized terms. The minimum account size is \$100,000.

<i>Account Size</i>	<i>Client Fee Range</i>	
	<u>Equity &amp; Balanced</u>	<u>Fixed Income</u>
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. The fees are negotiable between you and your IAR, but generally adhere to the ranges listed below, which are tiered and represented in annualized terms. The minimum fee for this account type is \$375 per quarter (\$1,500 per year). The minimum account size is \$100,000.

<i>Account Size</i>	<i>Client Fee Range</i>
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%
\$1,000,000 and over	1.00% - 2.50%

- **Allocation Advisors** is a discretionary advisory program managed by Wells Fargo Advisors' Advisory Service Group or its Investment Strategy Committee, or by Laffer Investments or Ibbotson Associates. This program is comprised primarily of exchange traded funds. The fees are negotiable between you and your IAR, but generally adhere to the ranges listed below, which are tiered and represented in annualized terms. The minimum account size for this program may range from \$25,000 to \$50,000 depending upon the type of account selected.

<i>Account Size</i>	<i>Client Fee Range</i>	
	<u>Tactical</u>	<u>Strategic</u>
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%
\$1,000,000 and over	1.00% - 1.50%	0.50% - 0.75%

- **Custom Choice** is a non-discretionary mutual fund advisory program. The fees are negotiable between you and your IAR, but generally adhere to the ranges listed below, which are tiered and represented in annualized terms. The minimum account size is \$25,000.

<i>Account Size</i>	<i>Client Fee Range</i>
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%
\$1,000,000 and over	1.00% - 1.15%

- **Pathways** is a discretionary mutual fund program based on Russell Investments blends. It is managed by Wells Fargo Advisors and Russell Investments. The fees are negotiable between you and your IAR, but generally adhere to the ranges listed below, which are tiered and represented in annualized terms. The minimum account size is \$25,000.

<i>Account Size</i>	<i>Client Fee Range</i>
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%
\$1,000,000 and over	1.00% - 1.15%

- **Asset Advisor** is a non-discretionary asset-based investment advisory program. The fees are negotiable between you and your IAR, but generally adhere to the ranges listed below, which are tiered and represented in annualized terms. The minimum account size is \$50,000.

<i>Account Size</i>	<i>Client Fee Range</i>
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%
\$1,000,000 and over	1.00% - 1.75%

- **Private Investment Management (PIM)** is a discretionary program in which the IAR is the portfolio manager. The fees are negotiable between you and your IAR, but generally adhere to the ranges listed below, which are tiered and represented in annualized terms. The minimum account size is \$50,000.

<i>Account Size</i>	<i>Client Fee Range</i>
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%
\$1,000,000 and over	1.00% - 1.75%

#### **Investment Management Programs Available on the Pershing Platform**

Pershing has a number of programs from which to choose, ranging from programs which are directed by the client, programs which are directed by the IAR, programs which are managed by Pershing's subsidiary, Lockwood Advisors ("Lockwood"), as well as by another third party money manager, Envestnet, Inc. ("Envestnet").

Some of the following accounts may offer the Performance Link service which provides the ability to include any of your accounts that are custodied at Pershing in a single, consolidated performance report. There is a separate and additional fee for the Performance Link service, should you elect to have it. The following tiered schedule will be used for the Performance Link service, regardless of the advisory account type:

<i>Per Account Size in Basis Points ("bps")<sup>1</sup></i>	
First \$500,000	3 bps (0.03%)
Next \$500,000	2 bps (0.02%)
Over \$1,000,000	1 bp (0.01%)

<sup>1</sup>The minimum fee for the Performance Link service is \$35.00 per quarter and the maximum is \$62.50 per quarter.

- **Adviser Investment Management ("AIM")** is a platform which gives your IAR discretion to manage your account. The fees are negotiable between you and

your IAR, but generally adhere to the ranges listed below, which are tiered and represented in annualized terms. The minimum account size is \$25,000. Performance reporting and clearing charges are included in this fee.

- **Adviser Investment Management Plus** (“AIM Plus”) is a platform which mirrors AIM with one slight variation - your IAR has the option to bill you a ticket charge. The fees are negotiable between you and your IAR, but generally adhere to the ranges listed below, which are tiered and represented in annualized terms. Performance reporting and clearing charges are included in this fee.

The fee schedule immediately below will be used for participation in both the AIM and AIM Plus programs. Normally, the client fee is negotiated with the IAR; other account and servicing fees are non-negotiable.

<i>Account Size</i>	<i>Client Fee Range<sup>1</sup></i>
First \$500,000	1.00% - 3.00%
Next \$500,000	1.00% - 3.00%
\$1,000,000 <sup>2</sup> and over	1.00% - 2.50%

<sup>1</sup>*In addition to these fees, a Performance Link fee will be charged for the fee-based accounts linked to transaction accounts.*

<sup>2</sup>*Contact your IAR for the fee range on amounts significantly in excess of \$1,000,000.*

- **Summit Elite** (“Elite”) and **Summit Elite Plus** (“Elite Plus”) are discretionary customized advisory programs. In these programs, your IAR has discretion over your account. The minimum investment amount for each of these accounts is \$50,000. Each Elite and Elite Plus account is charged (i) an account service fee, ranging from 0.03% to 0.05% based on the account size (this is in addition to the annual fee paid by the client), (ii) an annual administrative fee equal to \$150.00 (that may be paid by either the IAR or the client), and (iii) a per-transaction charge pursuant to a set 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 IAR, while in Elite Plus the per-transaction charge is paid by the client. The fees are negotiable between you and your IAR, but generally adhere to the ranges listed below, which are tiered and represented in annualized terms.

<i>Account Size</i>	<i>Client Fee Range<sup>1</sup></i>
First \$250,000	1.00% - 3.00%
Next \$750,000	1.00% - 3.00%
Next \$4,000,000	1.00% - 2.50%
\$5,000,000 <sup>2</sup> and over	1.00% - 2.00%

<sup>1</sup>*In addition to these fees, a Performance Link fee will be charged for the fee-based accounts linked to transaction accounts.*

<sup>2</sup>*Contact your IAR for pricing on amounts significantly in excess of \$5,000,000.*

- **BNY Mellon Asset Management Select** is a discretionary mutual fund asset

allocation program. This program allows you and your IAR to select from one of three different asset allocation models: conservative growth, moderate growth or long-term growth. These models are provided and managed by MBSC Securities Corporation ("MBSC"), a subsidiary of The Dreyfus Corporation, which is a wholly-owned subsidiary of The Bank of New York Mellon. Before MBSC makes a change to the structure of a particular model, they will present the proposed change(s) to SFG; however, SFG and your IAR may not notify you in advance of the model change(s). If there is a model change, we strongly encourage you to discuss this with your IAR to determine whether the model change(s) may be appropriate for you, whether you would like to switch to another model within the program, or whether you would like to exit the program completely. Fees for this program range between 0.60% - 2.00% in annualized terms, and these fees are negotiable between you and your IAR.

Lockwood

- **Separately Managed Account** encompasses over 100 money managers with over 300 options with traditional asset classes. The fees are negotiable between you and your IAR, but generally adhere to the ranges listed below, which are tiered and represented in annualized terms. The minimum account size is \$100,000 per manager.

<i>Account Size</i>	<i>Client Fee Range</i>
First \$500,000	1.25% - 3.00%
Next \$500,000	1.25% - 3.00%
\$1,000,000 <sup>1</sup> and over	1.25% - 2.50%

<sup>1</sup>Contact your IAR for pricing on amounts significantly in excess of \$1,000,000.

The program fees immediately above include the Lockwood advisory fee, money manager fee, clearing fees and custody fees.

- **Lockwood Investment Strategies** offers a spectrum of a broadly diversified portfolios comprised of multiple asset classes including mutual funds, exchange traded funds, alternative investments and individual securities. The fees are negotiable between you and your IAR, but generally adhere to the ranges listed below, which are tiered and represented in annualized terms. The minimum account size is \$250,000.
- **Lockwood Asset Allocation Portfolios** is a discretionary, multi-disciplined unified managed account managed by Lockwood Capital. There are five models available with traditional asset classes (tax sensitive versions of each of these models is available) and four models with non-traditional asset classes. The fees are negotiable between you and your IAR, but generally adhere to the ranges listed below, which are tiered and represented in annualized terms. The minimum account size is \$50,000 and portfolios generally hold from 5 to 15 securities.



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

<i>Account Size</i>	<i>Client Fee Range<sup>1</sup></i>
First \$500,000	1.00% - 3.00%
Next \$500,000	1.00% - 3.00%
Next \$4,000,000 <sup>2</sup>	1.00% - 2.50%
Next \$5,000,000 <sup>2</sup>	0.75% - 2.00%
\$10,000,000 <sup>2</sup> and over	0.50%- 2.00%

<sup>1</sup>In addition to the fees listed, a Performance Link fee will be charged for the fee-based accounts linked to transaction accounts.

<sup>2</sup>Contact your IAR for pricing on amounts significantly in excess of \$10,000,000.

The program fees immediately above include the Lockwood advisory fee, money manager fee, clearing fees and custody fees.

- **Lockwood AdvisorFLEX Portfolios** is a managed account solution providing flexibility to create a custom with a choice of three different objectives-based strategies and sixteen models with traditional and non-traditional asset classes. The fees are negotiable between you and your IAR, but generally adhere to the ranges listed below, which are tiered and represented in annualized terms. The minimum account size is \$50,000.

<i>Account Size</i>	<i>Client Fee Range</i>
First \$500,000	0.60% - 2.00%
Next \$500,000	0.60% - 2.00%
\$1,000,000 and over	0.50% - 1.50%

The program fees include the Lockwood advisory fee, the money manager fee, clearing fees and custody fees.

#### Investnet

- **Separate Accounts Managed Account Solution** provides individual investors with direct access to leading investment managers. The fees are negotiable between you and your IAR, but generally adhere to the ranges listed below, which are tiered and represented in annualized terms. This account type carries a minimum annual account fee of \$150 if a mutual fund portfolio is utilized, or \$350 if an equity and balanced portfolio or a fixed income portfolio is utilized. The minimum account sizes are as follows. Mutual fund portfolios typically require \$2,500 per fund. The minimum account size is \$100,000 (per manager) if an equity and balanced portfolio is utilized, or \$250,000 (per manager) if a fixed income portfolio is utilized.

<i>Account Size</i>	<i>Client Fee Range<sup>1</sup></i>
First \$250,000	1.00% - 3.00%
Next \$750,000	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%
\$10,000,000 and over	1.00% - 2.50%

<sup>1</sup>*In addition to the fees listed, a Performance Link Fee will be charged for fee-based accounts linked to transaction accounts.*

- **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 exchange traded funds in a single diversified portfolio. The minimum account size is \$150,000 per model allocation. The fees are negotiable between you and your IAR, but generally adhere to the ranges listed below, which are tiered and represented in annualized terms.

<i>Account Size</i>	<i>Client Fee Range</i>
First \$250,000	1.00% - 3.00%
Next \$250,000	1.00% - 3.00%
Next \$500,000	1.00% - 3.00%
Next \$1,000,000	1.50% - 3.00%
Next \$3,000,000	1.00% - 2.50%
Next \$5,000,000	1.00% - 2.50%
\$10,000,000 and over	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 diversified portfolio. The minimum account size is \$250,000 (some minimums may be higher). The fees are negotiable between you and your IAR, but generally adhere to the ranges listed below, which are tiered and represented in annualized terms.

<i>Account Size</i>	<i>Client Fee Range<sup>1</sup></i>
First \$500,000	1.50% - 3.00%
Next \$500,000	1.50% - 3.00%
Next \$1,000,000	1.50% - 3.00%
\$2,000,000 and over	1.20% - 2.50%

<sup>1</sup>*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** is a solution which allows the client and the IAR to direct the portfolio. These model portfolios are constructed and rebalanced directly by the IAR using the Envestnet web-based platform. The minimum account size is \$10,000. The fees are negotiable between you and your IAR, but generally adhere to the ranges listed below, which are tiered and represented in

annualized terms.

<i>Account Size</i>	<i>Client Fee Range<sup>1</sup></i>
First \$1,000,000	1.00% - 3.00%
Next \$1,000,000	1.00% - 2.50%
Next \$3,000,000	1.00% - 2.50%
\$5,000,000 and over	1.00% - 2.50%

*<sup>1</sup>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** is a solution that includes a total of nine mutual fund and/or exchange traded fund programs among various portfolios and managers including Envestnet, PMC, and Singer Partners LLC. The fees are negotiable between you and your IAR, and are tiered. Generally, the fees will adhere to a range of 1.00% - 3.00% (in annualized terms).

- **Investment Management Programs using a Third Party Money Manager outside the FCC or Pershing Platforms**

For fees and expenses relative to a third party money manager for a program not available on the FCC or Pershing platforms, please refer to the respective third party money manager's disclosure brochure. Neither SFG nor our IARs establish the fees charged by the third party money managers with whom we do business. You will pay advisory fees directly to the third party money manager and they in turn compensate SFG in the form of a solicitor's fee. We will then pay the appropriate amount of that fee to your IAR. At the time your account is established, you will receive a solicitor's disclosure statement which describes in greater detail the fee that the third party money manager pays to SFG. Third party money managers will typically require that clients authorize automatic fee deduction from the advisory account. You should carefully review the third party money manager's disclosure brochure for more information regarding the applicable fees and termination processes.

- **Variable Product Advisory Programs**

If you engage your IAR to provide advice relative to your variable product, you will pay a fee for this service. This advisory fee is separate and in addition to the internal costs inherent in your variable product, and will be calculated as a percentage of your variable product account value, including any cash or cash equivalent position(s). When this service is provided to you directly by your IAR, the advisory fee is not to exceed 1.00%. The advisory fee you will be charged will be clearly outlined in the advisory agreement you sign with your IAR. Again, this advisory fee does not include those fees and expenses charged by the variable product issuer such as mortality and expense, administrative charges, product rider or enhancement charges, or variable subaccount operating expenses. For more information regarding these fees and expenses, please refer to your variable product account paperwork and prospectus(es).

When this service is provided by a third party money manager your IAR recommends to you, the fee will vary depending upon the third party money manager selected. Neither SFG nor your IAR

controls the fees charged by any third party money manager.

If you terminate this type of advisory agreement, your assets will remain under the custody of the issuing insurance company; however, you will no longer receive investment management services on your variable product. If this service was being provided directly by your IAR, we will review your situation and refund any fees due to you. This refund will be done on a prorated basis. If your variable product investment management services are through a third party money manager, please refer to the termination provisions, and if applicable, fee refund provisions in the third party money manager's advisory service agreement and/or Form ADV Part 2A disclosure brochure. Neither SFG nor your IAR controls the termination provisions or the fee refund process (if applicable) of a third party money manager.

Due to the commission payments associated with certain variable products, a conflict of interest may exist in the services offered to you in SFG's Variable Product Advisory Program. Variable products may be sold to you through SBS (SFG's affiliated broker-dealer) and its IARs as Registered Representatives of SBS. In such cases, the sponsor companies of these variable products will generally pay a commission to SBS, a portion of which is shared with your Registered Representative. If you subscribe to SFG's Variable Product Advisory Program, your IAR receives two forms of compensation: (1) the commission associated with the sale of the variable product (assuming your IAR also sold the variable product to you), and (2) the advisory fees paid for the investment management services offered under this program. In an effort to mitigate this conflict of interest, SFG will not allow its IARs to charge a fee for this service for a period of two years following when he/she sold the variable product to you (regardless of whether the product was sold through SBS). If your IAR did not sell the variable product to you, this two year waiting period may or may not apply. Further, an exception to this two year waiting period may apply when a "no load" or "load waived" variable annuity is utilized.

- **Retirement Plan Advisory Program**

The fees associated with the services available through the retirement plan advisory program will be negotiated between the IAR and the retirement plan sponsor. These fees may be charged as a percentage of total assets held within the retirement plan, via an hourly rate, or by a flat fee. The details of the fees and how they will be paid (whether by the retirement plan's record keeper directly from the retirement plan's assets, accounts or investments, or whether it will be billed to the retirement plan sponsor) will be clearly outlined in the retirement plan consulting agreement executed between the IAR and the retirement plan sponsor.

If the fee charged is to be based on the percentage of total assets held within the retirement plan, the initial fee will be prorated based upon the number of days remaining in the initial quarterly period from the date of execution of the retirement plan consulting agreement and upon the market value of the retirement plan assets at the close of business on the last business day of the initial quarterly period. Thereafter, the quarterly portion of any annual asset based fees will be based upon the market value of the plan assets at the close of business on the last business day of the previous calendar quarter (without adjustment for anticipated withdrawals by plan participants or beneficiaries or other anticipated or scheduled transfers or distributions of assets).

If the retirement plan consulting agreement is terminated prior to the end of a quarter, SFG will

be entitled to a quarterly fee, prorated for the number of days in the quarter prior to the effective date of termination, and for asset based fees, based on the market value of the plan assets at the close of business on the effective date of termination.

Retirement plan sponsors who receive advisory services from SFG may pay more or less than a client might otherwise pay if purchasing these services separately or through another service provider. There are several factors that determine whether the costs would be more or less, including, but not limited to, the size of the plan, the specific investments made by the plan, the number of locations of participants, the services offered by another service provider, and the actual costs of services purchased elsewhere.

All fees paid to SFG for these services are separate and distinct from the fees and expenses charged by mutual funds, variable annuities and exchange traded funds to their shareholders. These fees and expenses are described in each investment's prospectus. These fees will generally include a management fee, other expenses, and possible distribution fees. If the investment also imposes sales charges, a client may pay an initial or deferred sales charge. The service provided by SFG may, among other things, assist the client in determining which investments are most appropriate to each client's financial condition and objectives and to provide other administrative assistance as selected by the client. Accordingly, the client should review both the fees charged by the funds, the fund manager, the plan's other service providers and the fees charged by SFG in order to fully understand the total amount of fees to be paid and to evaluate the services being provided.

- **Other Compensation**

The various fee structures of the investment management programs are designed to be comprehensive in nature unless the client has designated the option of the wrap fee plus a charge for each transaction. SBS may participate, both directly and indirectly, in other compensation as a result of its broker-dealer activities. For your information, they are set out generally hereafter.

**Mutual Fund Charges.** To the extent that mutual funds are selected to fill components of the overall investment strategy, SFG endeavors to purchase such mutual fund shares at net asset value, no-load or load-waived. 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 mutual fund shares. However, SBS receives 12b-1 fees from the issuers of such mutual funds, and this will be in addition to the advisory fee you pay to SFG.

**Cash and Money Market Funds.** Certain money market, municipal money market and government money market funds pay SBS, in its capacity as a broker-dealer, a distribution fee. This compensation is in addition to other fees 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, the funds (less any charges) are generally credited on the first business day after trade date. Due to the foregoing practices, SFG

realizes some economic benefit because of the delay in investing these funds.

*Directed Brokerage.* SFG directs that its affiliate, SBS, handle transactions as necessary for the investment implementation of any programs used. SBS receives compensation for handling such transactions. SFG believes that using SBS to handle necessary transactions is both beneficial and cost efficient to the client. While not a requirement of participating as a registered investment advisor, investment manager or sub-manager for clients of SFG or any programs offered, some registered investment advisors, investment managers and sub-advisors utilized by SFG may have other advisory clients who custody assets through SFG with the custodian. As a result of such relationship, SFG may receive fees based on transactions executed in such accounts.

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

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SFG does not charge performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or appreciation of your assets. 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. Our fees are calculated as described in Item 5, *Fees and Compensation*, and are not charged on the basis of performance of your account.

## Item 7 – Types of Clients

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SFG offers investment advisory services to many different types of clients including individuals, pension, profit sharing and other employer sponsored plans, trusts, estates, charitable organizations, corporations, and other business entities. In general, a minimum of \$25,000 is required to open and maintain an investment management 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 the amount of your assets managed in accounts held at SFG. Where appropriate, we may also consider account values for your minor children, your spouse, and other types of related accounts in an effort to meet the stated minimum.

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

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When employing various methods of analysis and investment strategies, your IAR will incorporate your needs and investment objectives, as well as your time horizon and risk tolerance. Your IAR is not bound to specific methods of analysis or investment strategies for the management of investment portfolios, but rather, as previously stated, he/she will consider your unique situation and all information gathered at the account opening, as well as changes to your financial picture over time.

The methods of analysis and investment strategies utilized 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.

## Methods of Analysis

In analyzing securities, we may use a wide array of available information obtained from various sources we believe to be reliable. These sources may include the following.

- Reputable financial publications
- Research materials prepared by other companies
- Annual reports
- Prospectuses and various other SEC filings
- Company press releases
- Other research material provided to SFG (and/or its affiliates) by its various business partners

## Investment Strategies

Examples of methodologies that our investment strategies may incorporate include the following. There is no guarantee that our investment strategies will ensure a profit or protect against loss.

- *Asset Allocation* – this is a broad term used to define the process of selecting a mix of asset classes and the efficient allocation of capital to those asset classes by matching rates of return to a specified and quantifiable tolerance for risk. There is no guarantee that asset allocation (regardless of the type) will ensure a profit or protect against loss.
  - *Strategic Asset Allocation* – this is a type of asset allocation that calls for setting target allocations and periodically rebalancing your portfolio back to those targets.
  - *Tactical Asset Allocation* – this is a type of asset allocation that allows for a range of percentages in each asset class. Thus, it is possible that a slight form of market timing may take place since there could be a move toward the higher end of the range when a particular asset class is expected to do well, and to the lower end of the range when the outlook for that asset class is bleak.
- *Diversification* – this is a method to assist in reducing risk by investing in a variety of different asset classes that typically do not move up and down in perfect synchrony. There is no guarantee that diversification will ensure a profit or protect against loss.
- *Dollar-Cost Averaging* – this is the technique of buying a fixed dollar amount of securities at regularly scheduled intervals, regardless of the price per share. This should 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. However, there is no guarantee that dollar-cost averaging will ensure a profit or protect against loss.
- *Technical Analysis* – this involves studying past price patterns and trends in the financial markets in an attempt to predict the direction of the overall market and/or specific stocks or sectors. There is no guarantee that technical analysis will ensure a profit or protect against loss.

- *Long Term Purchase* – this is a securities purchase with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year, and as long as ten years or more. There is no guarantee that holding a security for the long term will be profitable or that it will not result in a loss.
- *Short Term Purchase* – this is a securities purchase with the expectation that the security will be sold within a relatively short period of time, generally less than one year, in an effort to take advantage of the security's short term price fluctuations. There is no guarantee that holding a security for the short term will be profitable or that it will not result in a loss.
- *Margin Transactions* – this is a transaction in which the investor borrows money to purchase a security, in which case the security serves as collateral on the loan. Investing on margin carries additional risk. Your account must be reviewed and approved for this type of activity prior to engaging in it, and the review process will include an evaluation of your current financial picture as well as your overall investment experience. Only certain investment management accounts are eligible for investing on margin. Applicable margin interest applies, and more information will be provided to you if and when you intend to engage in this type of transaction.

## **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, methods of analysis or investment strategies 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 or that your account(s) will appreciate in value. Past performance is in no way an indicator or predictor of future results.

## **Item 9 – Disciplinary Information**

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On July 12, 2011, the Pennsylvania Securities Commission accepted our Offer of Settlement in which we proposed a settlement of an alleged violation of the Pennsylvania Securities Act of 1972. Without admitting or denying the allegations, we agreed to pay an administrative penalty of \$21,500 for failing to register one IAR in the Commonwealth of Pennsylvania. We further agreed to comply with the Pennsylvania Securities Act of 1972, in particular Section 301 thereof.

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

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Management persons at SFG are also management persons of SBS, and each carries one or more of the following licenses:

FINRA Series 7 – General Securities Representative  
 FINRA Series 9 – General Securities Sales Supervisor – Options Module



FINRA Series 24 – General Securities Principal  
 FINRA Series 4 – Options Principal  
 FINRA Series 27 – Financial and Operational Principal  
 FINRA Series 53 – Municipal Securities Principal  
 FINRA Series 55 – Limited Representative Equity Trader  
 FINRA Series 63 – Uniform Securities Agent State Law Exam  
 NASAA\* Series 65 – Investment Advisors Law Exam  
 NASAA\* Series 66 – Uniform Combined State Law Examination

\*NASAA stands for **N**orth **A**merican **S**ecurities **A**dministrators **A**ssociation.

As previously disclosed under Item 4, *Advisory Business*, SFG is a wholly-owned subsidiary of SBS, which is a wholly-owned subsidiary of Summit Financial Services Group, Inc., which is a wholly-owned subsidiary of RCS Capital Corporation. Also as previously disclosed, SBS is SFG's broker-dealer affiliate.

Our IARs are also registered representatives ("RRs") of SBS and will recommend SBS to clients for brokerage services, which may include various insurance products. These dually-registered individuals are subject to applicable industry rules that restrict them from conducting securities transactions away from SBS unless SBS provides the individual with written authorization to do so. Therefore, these individuals are generally limited to conducting securities transactions through SBS. It may be the case that transaction costs and/or custodial fees charged through SBS are higher than other broker-dealers charge for the same types of transactions. If transactions are executed through SBS, these dually-registered individuals (in their separate capacity as RRs of SBS) earn commission-based compensation as a result of placing the recommended securities transactions through SBS. This commission based compensation is separate and in addition to the fees you pay for the advisory services you receive from your IAR through SFG.

This presents a material conflict of interest because your IAR may have an incentive to effect securities transactions for the purpose of generating commission rather than basing his/her recommendations solely on your needs and objectives. We mitigate this conflict of interest by monitoring the appropriateness of the recommendations your IAR/RR makes to you. You may utilize the broker-dealer of your choice, and you have no obligation to purchase or sell securities through SBS. However, if you do not use SBS, we may not be able to accept your account and therefore, you may not be able to work with our dually-registered individual (IAR/RR) on your account.

Below we have laid out the organization of Summit Financial Services Group, Inc., and all of its affiliates.

#### RCS Capital Corporation as the Parent Company of SFSG and Indirect Owner of SFG

- RCS Capital Corporation
  - Summit Financial Services Group, Inc. (Parent Company)<sup>1</sup>
    - Summit Brokerage Services, Inc. ("SBS")<sup>2</sup>
      - **Summit Financial Group, Inc.**<sup>3</sup> ("**SFG**")<sup>3</sup>
      - Summit Holding Group, Inc. ("SHG")<sup>4</sup>
      - SBS Insurance Agency of Florida, Inc. ("SBS of FL")<sup>5</sup>
        - SBS of California Insurance Agency, Inc. ("SBSC")
        - SBSI Insurance Agency of Texas, Inc. ("SBSI")
    - 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, SBSC and SBSI); and (c) provides asset management and other investment advisory services through its subsidiary, SFG

<sup>3</sup>Engaged in the business of asset management and other investment advisory services

<sup>4</sup>Inactive subsidiary

<sup>5</sup>SBS of FL and its listed 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

As previously described in Item 4, *Advisory Business*, we have contracts with various third party money managers who are also registered investment advisors that offer fee based advisory programs. These third party money managers are not affiliated with us; however, they pay us a portion of the fees you pay to them, and a portion of what we receive is then paid to your IAR. This is considered a material conflict of interest as the cost of placing your assets with one of these third party money managers may be higher than placing your assets in one of our available investment management programs. You are under no obligation to utilize a third party money manager your IAR recommends.

Some individuals who are registered representatives of SBS own and operate their own independent registered investment advisers which are registered either with the SEC or the appropriate state jurisdiction(s). In this case, this individual will provide you with the disclosure brochure (Form ADV Part 2A) for his/her independent registered investment advisor and his/her brochure supplement (Form ADV Part 2B) as appropriate. Some of our IARs may be registered with SFG and another independent registered investment advisor. In this case, the IAR will provide you with the disclosure brochure (Form ADV Part 2A) and his/her brochure supplement (Form ADV Part 2B) for whichever registered investment advisor you are engaging, whether SFG or the independent registered investment advisor. The services may be similar, yet are independent of the advisory services offered to you by SFG.

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

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SFG's Code of Ethics includes guidelines for professional standards of conduct for all of our IARs as well as all home office employees (collectively "Associated Persons"). All Associated Persons must acknowledge their receipt and understanding of the Code of Ethics upon association with SFG, and annually thereafter, as well as agree to abide by it. 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 SFG's Associated Persons are expected to strictly adhere to these guidelines. Associated Persons of SFG are also required to report any violations of 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 Associated Persons of our firm.

SFG and its agents will seek to ensure that Associated Persons do not personally benefit from the short-term market effects of its investment recommendations. From time to time, Associated 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 SFG must agree to abide by SFG's Code of Ethics which imposes restrictions on the purchase or sale of securities from their own accounts and the accounts of certain other Associated Persons.

The Code of Ethics requires that all trades made by Associated Persons of SFG 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). SFG 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 imposes certain policies and procedures concerning the misuse of material non-public information that are designed to reasonably prevent insider trading by any officer, partner, or other Associated Person of SFG.

SFG'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.

## Item 12 – Brokerage Practices

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We recommend the brokerage services of SBS. As previously explained in Item 4, *Advisory Business*, SBS is an introducing broker-dealer which clears its transactions through both Pershing and FCC. SBS is registered with the SEC and state jurisdictions and is a member of the FINRA and SIPC. SBS 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.

SFG believes that this recommended broker-dealer and its custodians provide quality execution services for competitive prices to our clients. Price is not the sole factor considered in evaluating best execution. SFG also considers the quality of the brokerage services provided by the recommended broker-dealer, including 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**

Not all registered investment advisors require their clients to direct their brokerage transactions to a specific broker-dealer. However, our IARs are also RRs of SBS and will recommend SBS to clients for brokerage services, which may include various insurance products. These dually-registered individuals are subject to applicable industry rules that restrict them from conducting securities transactions away from SBS unless SBS provides the individual with written authorization to do so. Therefore, these

individuals are generally limited to conducting securities transactions through SBS. It may be the case that that transaction costs and/or custodial fees charged through SBS are higher than other broker-dealers charge for the same types of transactions. If transactions are executed through SBS, these dually-registered individuals (in their separate capacity as RRs of SBS) earn commission-based compensation as a result of placing the recommended securities transactions through SBS. This commission-based compensation is separate and in addition to the fees you pay for the advisory services you receive from your IAR through SFG.

Further, an IAR, when appropriate, may recommend that a retirement plan sponsor use a certain retirement plan platform or service provider (such as a record keeper, administrator or broker-dealer). That recommendation may include using our affiliate, SBS, to serve as broker-dealer in connection with the sale of securities or insurance products to the retirement plan.

These instances present a material conflicts of interest because your IAR may have an incentive to effect securities transactions for the purpose of generating commission rather than basing his/her recommendations solely on your needs and objectives. We mitigate this conflict of interest by monitoring the appropriateness of the recommendations your IAR/RR makes to you. You may utilize the broker-dealer of your choice, and you have no obligation to purchase or sell securities through SBS. However, if you do not use SBS, we may not be able to accept your account and therefore, you may not be able to work with our dually-registered individual (IAR/RR) on your account.

### **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 Associated Persons of our firm may participate in block trading with your accounts; however, these individuals will not be given preferential treatment of any kind.

### **Financial Planning and the Consulting Program**

Your IAR will generally recommend that you use SBS to implement any applicable recommendations made in your financial plan or throughout the course of the consulting process. However, you are under no obligation to do so. When your IAR conducts a securities transaction through SBS on your behalf, he/she may earn commission-based compensation as a result of executing the recommended securities transaction(s). This commission-based compensation is separate and in addition to the fees you pay for the advisory services you receive from your IAR through SFG.

This presents a material conflict of interest because your IAR may have an incentive to effect securities transactions for the purpose of generating commission rather than basing his/her recommendations solely on your needs and objectives. We mitigate this conflict of interest by monitoring the appropriateness of the recommendations your IAR/RR makes to you. You may utilize the broker-dealer of your choice, and you have no obligation to purchase or sell securities through SBS. However, if you do not use SBS, we may not be able to accept your account and therefore, you may not be able to work

with our dually-registered individual (IAR/RR) on your account.

## Item 13 – Review of Accounts

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We review our investment advisory accounts on a periodic basis. These reviews are described in greater detail below.

- **Investment Management Program Reviews**

The IAR servicing your account(s) will conduct periodic reviews of your account(s). IARs may meet with clients as frequently as is agreed upon or as is requested by the client or IAR. In most cases, a meeting of some kind will occur at least annually. Your IAR must extend to you the opportunity to discuss your account(s) on at least an annual basis. At this meeting, or at other times as appropriate, your IAR should note any updates or changes to your financial situation, goals and objectives.

Accounts are managed on a continuous basis and are reviewed at several intervals. Accounts are approved by an appropriate designated supervisory principal (“DSP”). Trades are reviewed by an appropriate DSP to identify issues or activity which may require further research and/or action.

Statements are provided to the client from the custodian at least quarterly if there was no activity within the account, and monthly if there was activity. Additionally, clients may receive a quarterly performance report. Confirmations of all buys and sells will be sent to the client by the applicable custodian unless the client opts to suppress confirmations, where this option is made available. We strongly urge you to carefully review your statements and transaction confirmations and immediately contact your IAR with any questions or issues.

- **Financial Planning Reviews**

DSPs review all agreements for financial plans before the agreement is approved. This review will include, among other things, the types of issues the financial plan is intended to address, the fee to be charged for the financial plan and the client’s current financial situation.

From time to time, the DSP may request a copy of the written financial plan once it is created by the IAR (and possibly after it is delivered to you) so that a review of the financial plan itself may be conducted. This review may entail an evaluation of the comprehensiveness of the financial plan, a review of the type of information that was gathered from the client and considered in the creation of the financial plan, whether the financial plan addressed the intended issues, and any recommendation(s) which may be made within the financial plan. Any issues identified as a result of this type of review will be promptly and appropriately addressed.

After you receive your written financial plan from your IAR, you will not receive any further written reports from us or your IAR.

- **Consulting Program Reviews**

DSPs review all agreements for the consulting program before the agreement is approved. This review will include, among other things, the types of issues which are to be addressed throughout the course of the consulting program, the fee to be charged for the consulting program services and the client's current financial situation.

The DSP may request additional information from your IAR regarding the service to be provided to you through our consulting program. Typically, this request will be for further detail on the services to be provided, including how your unique situation warrants the need for consulting services. Any issues identified as a result of this type of review will be promptly and appropriately addressed.

With the execution of an agreement for consulting services, you may or may not receive any written report(s) from us or your IAR. This will depend upon the nature of the consulting services to be provided to you. Once the terms of your consulting program agreement have been fulfilled, you will not receive any written reports from us or your IAR.

- **Third Party Money Manager Reviews**

Accounts that do not receive our continuous management, such as accounts managed by third party money managers, are only reviewed by SFG at account opening. However, your IAR will still conduct periodic reviews of your account and monitor its performance. Additionally, please refer to your applicable third party money manager's disclosure brochure for information related to the third party money manager's review of its accounts.

You will generally receive written account statements, transaction confirmations and/or performance reports from your applicable third party money manager. The frequency with which these reports are issued may vary depending on the third party money manager being utilized. We strongly urge you to carefully review any performance reports you receive and compare them to your custodial statements. The information contained in performance reports may vary from your custodial statement due to accounting procedures, reporting dates or valuation methodologies of certain securities. In the event of any discrepancies, you should rely on the statements provided by the qualified custodian of your assets.

- **Retirement Plan Advisory Program Reviews**

Your IAR will contact you at least once a year to review the services being provided to the retirement plan. It is important that you discuss any changes in the retirement plan's demographic information, investment goals, and objectives with your IAR. Retirement plans may receive written reports directly from the IAR based upon the services being provided, including any reports evaluating the performance of retirement plan investment manager(s) or investments.

- **Additional Advisory Account Reviews**

Additional monitoring of accounts will be provided by SFG as follows. We may review your advisory account(s) when one of our auditors, or other appropriate staff member, visits your IAR's branch office location. This visit may be to conduct a routine audit, or for another reason as deemed appropriate. We will also review your advisory account(s) if we receive a complaint from you regarding your advisory account(s).

## Item 14 – Client Referrals and Other Compensation

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- **Solicitor Arrangements**

On a limited basis, SFG may utilize the services of solicitors for client referrals. All such arrangements are conducted under the terms specified in a solicitation agreement, which is executed between SFG and the individual acting as solicitor, prior to any such referral taking place. In a case where a solicitor refers a client to us, a portion of your advisory fee may be paid to that solicitor. At the time of your referral, your solicitor will provide you with a document which discloses the terms of his/her solicitor agreement with us. This document will include important information regarding his/her compensation under the solicitation agreement. It is important that you review this document carefully.

- **Registration Arrangements**

Our IARs are also registered representatives ("RRs") of SBS and will recommend SBS to clients for brokerage services, which may include various insurance products. The amount of commissions for the sale of these products is not dictated by SFG, but rather by the applicable product sponsor. The commissions as well as other sales charges and expenses related to the product are disclosed in the product's prospectus, which you will receive at or prior to the time you purchase the product. When your IAR executes general securities transaction for you, he/she will receive commissions based upon those transactions. You may be able to have these transactions executed elsewhere at a lower cost to you. You are under no obligation to execute your brokerage transactions with SBS.

## Item 15 – Custody

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Any registered 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 registered investment advisers which have custody over client securities or funds. Currently, SFG does meet the definition of having custody due to the following circumstances:

- The company directly debits applicable fees from client accounts; and
- On a limited basis, some IARs act as trustee on behalf of their clients; this imputes custody onto SFG.

SFG does not have physical custody of any client funds and/or securities. Client funds and securities are held at a bank, broker-dealer, or other independent qualified custodian (in the case of any ERISA retirement plan, the custodian will be selected by the retirement plan sponsor). 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, as well as the other activity which took place in your account over the covered time period. You should carefully review these statements. From time to time, your IAR may provide you with a consolidated statement, performance report or other account summary. We strongly urge you to compare any such report to the statements you receive from your qualified custodian for the same time period.

## Item 16 – Investment Discretion

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Our IARs have discretionary authority over certain accounts. In order for discretionary authority to be granted, you must first sign our discretionary management agreement, a power of attorney, and/or a trading authorization form. By choosing to do so, you grant your IAR discretion over the selection and amount of securities to be purchased or sold in your account(s), without obtaining your consent or approval prior to each transaction.

Additionally, third party money managers will maintain discretionary authority over your account. Such authority would be fully disclosed to you in the third party money manager's disclosure brochure.

SFG and its IARs do not have discretionary authority over any ERISA accounts.

## Item 17 – Voting Client Securities

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It is generally not our policy 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 we believe to be in the best interests of our clients, we may allow proxy voting. SFG generally votes in accordance with the recommendations of the issuer's existing management, unless we feel it would not be prudent to do so.

## Item 18 – Financial Information

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We have no financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our clients, and we have never been the subject of a bankruptcy petition.

Following is the audited balance sheet for Summit Brokerage Services, Inc., and its subsidiaries, for fiscal year ending December 31, 2014. This balance sheet conforms to generally accepted accounting principles, and was audited by an independent public accountant.



**SUMMIT BROKERAGE SERVICES, INC. AND SUBSIDIARIES**

Consolidated Statement of Financial Condition

December 31, 2014

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**ASSETS**

Cash and cash equivalents	\$ 11,148,555
Commissions receivable	2,161,665
Notes receivable, net of allowance of \$93,917	1,820,527
Other receivables, net of allowance of \$199,424	957,021
Securities owned, at fair value	1,263
Prepaid expenses and other	209,776
Fixed assets, net of accumulated depreciation and amortization of \$117,098	304,863
Due from affiliates	2,147,244
Goodwill	500,714
Deferred tax assets	596,510
Other assets	333,727
<b>Total assets</b>	<b>\$ 20,181,865</b>

**LIABILITIES AND STOCKHOLDER'S EQUITY****Liabilities**

Commissions payable	\$ 3,843,256
Accrued expenses	2,874,878
Accounts payable	279,289
Deferred revenue	64,000
Other liabilities	528,813
<b>Total liabilities</b>	<b>7,590,236</b>

**Commitments and Contingencies (Note 5)****Stockholder's equity**

Common stock, par value \$0.0001 per share; authorized 60,000,000 shares; 1 share issued and outstanding	\$ -
Additional paid-in capital	16,670,297
Accumulated deficit	(4,078,668)
<b>Total stockholder's equity</b>	<b>12,591,629</b>

**Total liabilities and stockholder's equity**

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**\$ 20,181,865**

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