

**Item 1: Cover Page**  
**Part 2A Appendix 1 of Form ADV: Wrap Fee Brochure**  
**March 2015**

**Summit Wrap Program**

**Sponsored By:**



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**This brochure provides information about the qualifications and business practices of Summit Financial Consultants, Inc. If you have any questions about the contents of this brochure, please contact us by telephone at 805-418-4565 and/or [www.thewiseinvestor.net](http://www.thewiseinvestor.net). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Authority. Additional information about Summit Financial Consultants, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Please note that the use of the term "registered investment adviser" and description of Summit Financial Consultants, Inc. and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and our employees.**

## Item 2: Material Changes

There were no material changes to the brochure.

### Item 3: Table of Contents

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## Item 4: Services, Fees & Compensation

We offer wrap fee programs as described in this Wrap Fee Program Brochure. Our wrap fee accounts are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc. A wrap fee program allows our clients to pay a specified fee for investment advisory services and the execution of transactions. The advisory services may include portfolio management, and the fee is not based directly upon transactions in your account. Your fee is bundled with our costs for executing transactions in your account(s). This results in a higher advisory fee to you. We do not charge our clients higher advisory fees based on their trading activity, but you should be aware that we may have an incentive to limit our trading activities in your account(s) because we are charged for executed trades. By participating in a wrap fee program, you may end up paying more or less than you would through a non-wrap fee program where a lower advisory fee is charged, but trade execution costs are passed directly through to you by the executing broker.

### Our Wrap Advisory Services

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#### Wrap Asset Management:

We emphasize continuous and regular account supervision. As part of our asset management service, we generally create a portfolio, which may consist of a variety of individual stocks, bonds, exchange traded funds ("ETFs"), mutual funds, certificate of deposits, annuities, business development companies, real estate investment trusts and other public and private securities or investments. The client's individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Each portfolio will be initially designed to meet a particular investment goal, which we determine to be suitable to the client's circumstances. Once the appropriate portfolio has been determined, we review the portfolio at least quarterly and if necessary, rebalance the portfolio based upon the client's individual needs, stated goals, and objectives. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

#### Fee Schedule

The maximum annual fee to be charged is 2.20%. The actual fee assessed your portfolio or account(s) is negotiable and will be outlined in a separate advisory agreement. Fees will be deducted from your account. Our firm's annualized fees are billed on a pro-rata basis quarterly in advance based on the value of your account on the last day of the previous quarter. As part of this process, the client is made aware of the following:

- a) Your independent custodian sends statements at least quarterly to you showing the market values for each security included in the Assets and all disbursements in your account including the amount of the advisory fees paid to us;
- b) You provide authorization permitting us to be directly paid by these terms. We send our invoice directly to the custodian; and
- c) If we send a copy of our invoice to you, it will include a legend urging you to compare information provided in our statement with those from the qualified custodian.

Fees paid to us for investment advisory services are separate from the fees and expenses charged by mutual funds. These fees and expenses are described in each fund's prospectus. Such fees will generally include a management fee, other fund expenses and a possible distribution fee. If the fund also imposes sales charges, an initial or deferred sales charge may

be incurred. Clients may also incur certain charges in connection with investments made, including but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, variable annuity fees and surrender charges, and IRA and qualified retirement plan fees.

### **Other Types of Fees & Expenses:**

You may pay custodial fees, charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. These fees are not included within the wrap-fee you are charged by our firm.

We do not recommend or offer the wrap program services of other providers. Our investment advisory representatives receive a portion of the advisory fee that you pay us, either directly as a percentage of your overall fee or as their salary from our firm. In cases where our investment advisory representatives are paid a percentage of your overall advisory fee, this may create an incentive to recommend that you participate in a wrap fee program rather than a non-wrap fee program (where you would pay for trade execution costs) or brokerage account where commissions are charged. This is because, in some cases, we may stand to earn more compensation from advisory fees paid to us through a wrap fee program arrangement if your account is not actively traded.

## **Item 5: Account Requirements & Types of Clients**

We have the following types of clients:

- Individuals and High Net Worth Individuals;
- Trusts, Estates or Charitable Organizations;
- Pension, 401k and Profit Sharing Plans;
- Corporations, Limited Liability Companies and/or Other Business Types.

We do not impose requirements for opening and maintaining accounts or otherwise engaging us.

## **Item 6: Portfolio Manager Selection & Evaluation**

Our firm and its related persons act as portfolio manager(s) for this wrap fee program. This may create a conflict of interest in that other investment advisory firms may charge the same or lower fees than our firm for similar services. Our related person portfolio managers are not subject to the same selection and review as outside portfolio managers that participate in the wrap fee program. This is because we have chosen not to utilize outside portfolio managers.

### **Advisory Business:**

See Item 4 for information about our wrap fee advisory program. We offer individualized investment advice to clients utilizing our Wrap Asset Portfolio Management service. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account. Restrictions would be limited to our Wrap Asset Management service.

### **Participation in Wrap Fee Programs:**

Our wrap fee and non-wrap fee accounts are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc. We do not manage wrap fee accounts in a different fashion than non-wrap fee accounts.

### **Performance-Based Fees & Side-By-Side Management:**

We do not charge performance fees to our clients.

### **Methods of Analysis, Investment Strategies & Risk of Loss:**

We may recommend the use of index and actively managed mutual and ETFs. We recommends index funds based on how closely the funds' characteristics mirror the index they track. We analyze actively managed funds by comparing funds that target the same market sector such as foreign or domestic, and small, medium or large companies with the same investment style, using prospectuses and other sources of information. Reviews may include, but are not limited to:

- Rank in Category over various periods
- Return Rating
- Risk Rating
- YTD Return – Outsize swings in comparisons to peers can be a sign of risky practices such as placing large bets on certain sectors of the market
- 1 Yr Return
- 3 Yr Return
- 5 Yr Return – Typically over a five year period, the economy experiences a complete cycle. However, how a manager operates in various economic environments reflects the manager's ability to make adjustments or stay the course.
- Loads
- Total Expense Ratio
- Net Assets
- Turnover
- Median Market Capitalization
- Morningstar Rating

We also take the manager or management team tenure under consideration to determine who was responsible for generating the performance numbers. Clients are advised that investing in securities involves the risk of loss of the entire principal amount invested including any gains. Clients should not invest unless they are able to bear these losses. Any of the above investment strategies may lead to a loss on investments, especially if the markets move against the Client. In addition, investing carries with it the risk of missing out on more favorable returns that could be achieved by investing in alternate securities or commodities.

### **General Securities Risks**

The prices of securities held in client accounts and the income they generate may decline in response to certain events taking place around the world. These include events directly involving the issuers of securities held as underlying assets of mutual funds in a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental

agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income.

The prices of, and the income generated by, most debt securities held by a client's account may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities. For example, the prices of debt securities in the client's account generally will decline when interest rates rise and increase when interest rates fall. In addition, falling interest rates may cause an issuer to redeem, "call" or refinance a security before its stated maturity, which may result in our firm having to reinvest the proceeds in lower yielding securities. Longer maturity debt securities generally have higher rates of interest and may be subject to greater price fluctuations than shorter maturity debt securities. Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default. The guarantee of a security backed by the U.S. Treasury or the full faith and credit of the U.S. government only covers the timely payment of interest and principal when held to maturity. This means that the current market values for these securities will fluctuate with changes in interest rates.

Investments in securities issued by entities based outside the United States may be subject to increased levels of the risks described above. Currency fluctuations and controls, different accounting, auditing, financial reporting, disclosure, regulatory and legal standards and practices could also affect investments in securities of foreign issuers. Additional factors may include expropriation, changes in tax policy, greater market volatility, different securities market structures, and higher transaction costs.

Finally, various administrative difficulties, such as delays in clearing and settling portfolio transactions, or in receiving payment of dividends can increase risk. Finally, investments in securities issued by entities domiciled in the United States may also be subject to many of these risks.

Our firm doesn't recommend investing in any type of security that involves significant or unusual risks except for the following which may present material risks to investors:

**Exchange Traded Funds** - An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) whose primary objective is to achieve the same return as a particular market index. An ETF is similar to an index fund in that it will primarily invest in securities of companies that are included in a selected market index. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like stock mutual funds, the prices of the underlying securities and the overall market may affect ETF prices. Similarly, factors affecting a particular industry segment may affect ETF prices that track that particular sector.

**Fixed Income Risk** - When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.

**Interest Rate Risk** - Generally, when market interest rates rise, bond prices fall, and vice versa. Interest rate risk is the risk that the bonds and/or other income-related instruments in a fund's

portfolio will decline in value because of increases in market interest rates. The prices of longer-maturity securities tend to fluctuate more than shorter-term security prices.

**Market Risk** - Securities may decline in value due to factors affecting securities markets generally or particular industries. The value of a trust/fund may be worth less than the original investment.

**Municipal Securities** – Municipal securities are backed by either the full faith and credit of the issuer or by revenue generated by the specific project (like a toll road or parking garage) for which the securities were issued. The latter type of securities could quickly lose value or even become virtually worthless if the expected project revenue does not meet expectations.

**Options Contracts** - An option is a contract that gives the buyer the right and the seller the obligation to buy or sell stock or futures contracts at a specific price for a set period of time. Options trading can present some or all of the following material risks (not an exclusive list): Option sellers receive fixed compensation in exchange for accepting an obligation to buy or sell an underlying asset at a price that can fluctuate widely. Securities price movement can make exercising options financially impractical and the options would expire worthless. This would result in the loss of the entire amount used to purchase the options. Options sold may be exercised at any time before expiration requiring the seller to purchase or sell underlying securities at an unfavorable price. Sellers of naked positions run margin risks if the position goes into significant losses (i.e. liquidation of positions by the broker). Sellers of call options can lose more money than a short seller of that stock on the same rise on the underlying stock. Call options can be exercised outside of market hours inhibiting remedies that can be taken by the seller of those options. Sellers of stock options may be obligated to buy or sell securities upon exercise even if a trading market is not available or they are unable to perform a closing transaction. The value of the underlying stock may unexpectedly increase or decline, leading to automatic exercises of options against the seller. Options markets have the right to halt trading of options, thus preventing investors from realizing value.

**Partnership Interests** (real estate, oil and gas interests) – Investment partnerships are typically composed of a limited number of partners and at least one general partner. The liability of the limited partners is restricted to the amount of each partner's investment. The liability of the general partner is theoretically unlimited and extends beyond the amount invested to personal or corporate assets. Because of this increased exposure, the general partner manages the partnership, makes the investment decisions and receives fees and a higher portion of the return on partnership investments. Because of the nature of the limited partnership structure partnership investments should be considered long term and illiquid. There are usually no secondary markets in which these types of investments trade. Therefore, if the value of the underlying assets should decline, the value of partnership shares would also decline and unlike other types of securities, an investor may find it hard to quickly sell shares in an illiquid market. Clients should consult the Adviser if they have questions concerning the basic characteristics of these or other investment products or about the risks and potential rewards of investing.

**Real Estate Investment Trusts** - Real estate investment trusts (REITs) primarily invest in real estate or real estate-related loans. Equity REITs own real estate properties, while mortgage REITs hold construction, development and/or long-term mortgage loans. Changes in the value of the underlying property of the trusts, the creditworthiness of the issuer, property taxes, interest rates, tax laws, and regulatory requirements, such as those relating to the environment all can affect the values of REITs. Both types of REITs are dependent upon management skill, the cash flows generated by their holdings, the real estate market in general, and the possibility of failing to qualify



for any applicable pass-through tax treatment or failing to maintain any applicable exemptive status afforded under relevant laws.

**Small & Micro-Cap Equity Securities** (shares in companies that have a market capitalization of less than \$500 million) – Small and micro-cap stocks are stocks in companies that tend to have smaller market capitalization. Share prices can be extremely volatile and are prone to great fluctuations. This is primarily because of their smaller capitalization which can allow stock prices to be more easily influenced by a small number of large trades. This potential volatility presents a material risk for investors who could quickly lose a large part of their investments during a brief market downturn.

**Valuation Risk** - Common shares may trade above (a premium) or below (a discount) the net asset value (NAV) of the trust/fund's portfolio. At times, discounts could widen or premiums could shrink, which could either dilute positive performance or compound negative performance. There is no assurance that discounted funds will appreciate to their NAV.

#### **Voting Client Securities:**

We do not and will not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

### **Item 7: Client Information Provided to Portfolio Manager(s)**

We are required to describe the information about you that we communicate to your portfolio manager(s), and how often or under what circumstances we provide updated information. Our firm communicates with your portfolio manager(s) on a regular basis as needed (daily, weekly, monthly, etc) to ensure your most current investment goals and objectives are understood by your portfolio manager(s). In most cases, we will communicate such information as part of our regular investment management duties. Nevertheless, we will also communicate information to your portfolio manager(s) when you ask us to, when market or economic conditions make it prudent to do so, etc.

### **Item 8: Client Contact with Portfolio Manager(s)**

Clients are always free to directly contact their portfolio manager(s) with any questions or concerns they have about their portfolios or other matters.

### **Item 9: Additional Information**

#### **Disciplinary Information**

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There are no legal or disciplinary events that are material to the evaluation of our advisory business or the integrity of our management.

## **Financial Industry Activities & Affiliations**

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Representatives of our firm are registered representatives of Triad Advisors, Inc, member FINRA/SIPC and licensed insurance agents/brokers. They may offer products and receive normal and customary commissions as a result of these transactions. A conflict of interest may arise as these commissionable securities sales may create an incentive to recommend products based on the compensation they may earn. Clients are never obligated to purchase brokerage or insurance products.

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

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We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and employees for their personal accounts<sup>1</sup>. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

Neither our firm nor a related person recommends to clients, or buys or sells for client accounts, securities in which our firm or a related person has a material financial interest. Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics. Further, our related persons will refrain from buying or selling the same securities prior to buying or selling for our clients in the same day. If related persons' accounts are included in a block trade, our related persons accounts will be traded in the same manner every time.

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<sup>1</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics.

### **Review of Accounts**

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We review accounts on at least a quarterly basis for our clients subscribing to our Wrap Asset Portfolio Management service. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable.

Only our Financial Advisors or Portfolio Managers will conduct reviews. We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

We may provide performance reports for certain clients. Verbal reports to clients take place on at least an annual basis when we meet with clients who participate in our Wrap Asset Management service.

### **Client Referrals & Other Compensation**

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Our firm participates in the TD Ameritrade Institutional program, a division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA/SIPC/NFA. TD Ameritrade and offer to independent investment advisers non-soft dollar services which include custody of securities, trade execution, clearance and settlement of transactions. We receive some non-soft dollar benefits from TD Ameritrade through our participation in the program. There is no direct link between our firm's participation in the program and the investment advice we give to our Clients, although we receive economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving our firm's participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our firm's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit our firm but may not benefit our Client accounts. These products or services may assist us in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by our firm or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to our clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our firm's choice of TD Ameritrade for custody and brokerage services.

We do not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with relevant state statutes and rules.

### **Financial Information**

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We are not required to provide financial information in this Brochure because we do not require the prepayment of more than \$1,200 in fees and six or more months in advance, we do not take custody of client funds or securities and we do not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.

Our firm has never been the subject of a bankruptcy proceeding.

### **Item 10: Requirements for State-Registered Advisers**

We are State registered and have responded to this Item in Item 9.A.2 of this Part 2A Appendix 1 of Form ADV.