



Summit Financial Group, Inc.
A member of Cetera Financial Group®
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FORM ADV PART 2A BROCHURE

December 8, 2017

This brochure provides information about the qualifications and business practices of Summit Financial Group, Inc. If you have any questions about the contents of this brochure, please contact us at (800) 226-2660 or compliance@summitbrokerage.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Summit Financial Group is also available on the SEC's website at www.adviserinfo.sec.gov.

Summit Financial Group is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Item 2 – Material Changes

Below are material changes that have been made to this brochure since the date of our last annual update on March 31, 2017.

Advisory Program Offerings

- In July 2017, the firm began offering the Plan Advice and Consulting Program (PACP) for employer-sponsored retirement plans. Through PACP, advisers can provide customized advice and consulting services under a fee-based model to plan sponsor clients. Both fiduciary and non-fiduciary services are available under the program.

The firm also closed the Variable Product Advisory Management Program to new sales.

- In December 2017, the firm began offering the My Advice Architect™ program. My Advice Architect comprises three investment programs, the Unified Program, Guided Program and Advisor Program, which were designed to meet a broad spectrum of client needs and preferences. Discretionary and non-discretionary accounts are available through My Advice Architect.

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Item 4 – Advisory Business

About Summit Financial Group, Inc.

Founded in 1995, Summit Financial Group, Inc. provides investment advisory and asset management services through our investment adviser representatives located across the country. Our services are available to both individual and institutional investors and are designed to help clients achieve their financial needs and goals.

Summit Financial Group is a wholly owned subsidiary of Summit Brokerage Services, Inc., which is a wholly owned subsidiary of Aretec Group, Inc.

Types of Advisory Services We Offer

Summit Financial Group offers the following types of advisory services:

- Financial planning and consulting
- Portfolio management
- Selection of other investment advisers
- Fiduciary and non-fiduciary services for plan sponsors
- Seminars

Financial Planning and Consulting

Summit Financial Group offers different levels of financial planning and consulting services to help you identify, prioritize and work towards your goals and objectives. These planning and consulting services vary in scope and detail, depending on your individual needs and the information gathered from you. Our financial planning and consulting services generally include:

- Gathering information from you to help establish your current financial condition and define your financial goals;
- Development of a plan that includes financial strategies to achieve those goals; and
- Delivery of the advice or plan to you.

Financial plans typically provide general advice regarding some or all of the following topics:

- Retirement planning
- Investment planning
- Major purchase planning
- Education planning
- Distribution planning
- Asset allocation
- Net worth analysis
- Income and survivor income planning

- Other income needs (such as disability, long-term care, estate planning, etc.)

Financial planning services offered by Summit Financial Group do not include recommendations to purchase or sell specific products or services for purposes of implementing a financial plan. Your investment adviser representative may solicit additional advisory services offered by Summit Financial Group, or an affiliate, and/or offer brokerage services in his or her capacity as a registered representative of Summit Brokerage Services to assist you with implementing one or more financial planning recommendations. These advisory and brokerage services are separate and distinct from the financial planning services provided by Summit Financial Group. You have complete freedom in selecting an investment adviser or broker-dealer to assist you with implementing the recommendations made in your financial plan and are under no obligation to act on the advice of Summit Financial Group or your investment adviser representative.

Recommendations developed by your investment adviser representative are based upon his or her professional judgment. Summit Financial Group cannot guarantee the results of any recommendations made.

Financial planning services are considered complete upon delivery of services to you. You may engage your investment adviser representative for additional planning services, such as updating your financial plan, by signing a new advisory agreement.

Summit Financial Group's consulting services offer you the ability to receive a broad range of financial advice and services from your investment adviser representative, including the ability to provide specific security recommendations. Our consulting services allow your investment adviser representative to provide continuous advice to you for the duration of your advisory agreement. You may continue to engage your investment adviser representative for consulting services after your advisory agreement terminates by signing a new advisory agreement.

Portfolio Management

Summit Financial Group's discretionary and non-discretionary investment management programs provide the ability to develop a customized investment plan with your investment adviser representative based on your individual needs and goals. Your investment adviser representative will provide advice throughout the investment process to help you navigate through market changes. Your investment adviser representative will advise you based on the information you provide during the account opening process and on his or her judgment of what may be in your best interest. Your investment adviser representative may consider research from various sources, including our affiliate, Tower Square Investment Management, when providing individual investment recommendations.

In our non-discretionary programs, although your investment adviser representative recommends the purchase or sale of securities, you maintain full authority to direct the individual investments made in your account and may place unsolicited orders at your discretion. An unsolicited order involves purchasing or selling a security without receiving advice or guidance from your investment adviser representative. Effecting unsolicited orders may limit your investment adviser representative's ability to provide recommendations to help you stay on track with your investment strategy. There may be risks associated with securities you acquire on an unsolicited basis, which are your responsibility solely.

Summit Financial Group also offers access to a number of programs managed by third-party asset managers on a discretionary basis. Please refer to the third-party manager's Form ADV Brochure for additional information on these programs.

Summit Financial Group is co-adviser in the My Advice Architect™ Program and is responsible for supervising the activities of the investment adviser representatives who use the program for clients.

Please refer to the Form ADV Brochure of our affiliate, Cetera Advisory Services, for additional information on the My Advice Architect Program and the role of Summit Financial Group and your investment adviser representative.

Selection of Other Investment Advisers

Summit Financial Group offers access to a number of programs sponsored and managed by third-party asset managers on a discretionary basis. These programs offer access to a variety of model portfolios with varying levels of risk from which you may choose. Summit Financial Group may act as a solicitor or sub-adviser when offering third party managed programs to you.

When acting as a solicitor for a third party managed program, Summit Financial Group and your investment adviser representative do not provide investment advice on the program or your account assets. Your investment adviser representative is responsible for assisting you in selecting one or more programs he or she believes to be in your best interest based on your financial information, investment objectives and/or financial goals. The third-party manager is responsible for assessing the suitability of their portfolios against your risk profile and managing your account.

When acting as a sub-adviser for a third party managed program, Summit Financial Group and the sponsor of the program are jointly responsible for the ongoing management of the account. Your investment adviser representative is responsible for assisting you with completing the investor profile questionnaire or other equivalent document. Your responses on the investor profile questionnaire will assist your investment adviser representative with understanding your investment objectives, financial situation, risk tolerance, time horizon and other financial information. Based on the answers you provide on the investor profile questionnaire, your investment adviser representative will assist you in determining which model portfolio or strategy is most appropriate for you. The sponsor of the program will manage your account in accordance with the objectives of the model portfolio or strategy you select.

Each third-party manager is uniquely structured and offer different types of asset management programs. It is important that you review a manager's Form ADV Part 2A Brochure prior to or at the time of account opening.

Fiduciary and Non-Fiduciary Services for Plan Sponsors and Participants

Retirement plans subject to the Employee Retirement Income Security Act of 1974 (ERISA) may retain an investment adviser representative of our firm to provide advisory and consulting services to your retirement plan. In providing these services, Summit Financial Group may act as a fiduciary, as defined under Section 3(21)(A)(ii) of ERISA, and will adhere to the provisions outlined by ERISA to provide the highest standard of care to qualified retirement plans.

- **Plan Advice and Consulting Program**

Fiduciary advisory services available under the Plan Advice and Consulting Program include:

- Investment policies and objectives: Reviewing and assisting in establishing investment policies and objectives on behalf of the plan and its related trust, which may reasonably include restrictions on the plan's investments.
- Preparation of Investment Policy Statement (IPS): In consultation with the plan sponsor concerning the investment policies and objectives for the plan, an investment adviser representative may assist the plan sponsor in developing an IPS that is consistent with the requirements of ERISA. Summit Financial Group cannot guarantee that the plan's investments will achieve the objectives in the IPS.

- Investment recommendations: An investment adviser representative may recommend, for selection by the plan sponsor, core investments to be offered to plan participants consistent with the plan's IPS or other relevant guidelines and ERISA. The IAR may also recommend investment replacements if existing investments are no longer suitable.
- Investment manager recommendations: An investment adviser representative may recommend "investment managers" within the meaning of ERISA Section 3(38) on behalf of the plan, or designated investment managers to be offered as investment options for plan participants, as applicable. The investment adviser representative may also recommend replacement managers if existing managers are no longer suitable.
- Investment monitoring: An investment adviser representative may meet with the plan sponsor on a quarterly basis, or at such other times as the investment adviser representative and plan sponsor may mutually agree, to review the performance of the plan's investments or investment managers, as applicable, in accordance with the plan's IPS or other relevant guidelines and ERISA.
- Selection of a Qualified Default Investment Alternative: An investment adviser representative may recommend to the plan sponsor an investment fund product or model portfolio meeting the definition of a "Qualified Default Investment Alternative" (QDIA) in DOL Regulation §2550.404c-5(e)(3). If applicable, the guidelines for the QDIA shall be reflected in the IPS.

Non-fiduciary consulting services available under the Plan Advice and Consulting Program include:

- Charter for a fiduciary committee: In consultation with the plan sponsor, an investment adviser representative may assist in developing a charter for the plan sponsor's fiduciary investment committee for the plan and assist in the structure and composition of the committee.
- Education services to a fiduciary committee: An investment adviser representative may provide education for selected employees of the plan who are serving on the plan's fiduciary investment committee. Such education may include guidance concerning their fiduciary roles on the committee, including their investment-related duties under the plan, at times mutually agreeable to the parties.
- Performance reports: An investment adviser representative may prepare periodic performance reports for the plan's investments, comparing the performance thereof to benchmarks set forth in the IPS or other such benchmarks as specified in writing by the plan sponsor. The information used to generate the reports will be derived from statements provided by or through the plan sponsor. Investment adviser representatives do not make any investment recommendations, rate of investments or make buy, sell or hold recommendations as part of performance reporting.
- Fee monitoring: An investment adviser representative may assist the plan sponsor with respect to its duties to evaluate the reasonableness of the fees and expenses of the plan's investments or investment managers, as applicable, in accordance with the plan's IPS or other relevant guidelines and ERISA. Upon request, an investment adviser representative may also assist the plan sponsor with respect to its evaluation of the plan's fees and expenses for administrative services.
- Participant education services: An investment adviser representative of the firm may offer investment education to plan participants at scheduled meetings on an annual basis, or such other times as the investment adviser representatives and plan sponsor may mutually agree, in accordance with the Department of Labor's exclusions for investment education from its definition of a recommendation as set forth in 29 CFR Section 2510.3-21(b)(1) and (2). An investment adviser representative may provide non-fiduciary

education concerning the availability of withdrawals and rollovers from the plan, but will not discuss the advisability of withdrawals or rollovers at such meetings.

- Service provider recommendations: In the event the plan sponsor chooses to select a new recordkeeper or other administrative service provider to the plan, an investment adviser representative may recommend plan service providers for the plan sponsor's consideration. Such recommendations shall not include investment or allocation recommendations by the investment adviser representative. Upon request, an investment adviser representative will assist the plan sponsor in the preparation and evaluation of requests for proposals, finalist interviews and conversion support.

In performing consulting services, your investment adviser representative and Summit Financial Group are acting solely as an agent and at the plan's direction.

Services not offered as part of the Plan Advice and Consulting Program include:

- Custody and trade execution – Taking custody or possession of any plan assets, ensuring that contributions by the plan or from participants are deposited timely with the trustee or custodian for the plan, or executing orders for trades or securities transactions with respect to the plan's assets.
- Employer stock funds and brokerage windows – Providing advice regarding the prudence of plan investments in any employer stock, or providing guidance to participants concerning investments through any brokerage account window under the plan.
- Proxies – Rendering advice on, or taking action with respect to, the voting of proxies solicited on behalf of securities held in trust by the plan, or the exercise of similar shareholder rights regarding such securities.
- Discretionary plan administration – Interpreting the plan, determining eligibility under the plan, distributing plan assets to pay benefits or expenses, determining benefit claim, or making any other discretionary decisions with respect to the administration of the plan.
- Legal or tax advice – Reviewing or amending plan documents for compliance with changes in tax qualification requirements or providing legal or tax advice on matters relating to the plan, including advising on whether plan investments will result in unrelated business taxable income.
- Participant advice – Furnishing any fiduciary "investment advice" within the meaning of ERISA to participants relating to any participant-directed investments under the plan. Any personal investment-related services provided by Summit Financial Group to individuals, including but not limited to individuals who are plan participants, will be unrelated to the services.
- Regulatory Notices and Reports – Distributing summary plan descriptions, elections, and any other notices required by law to participants, or filing any governmental reports for the plan or client.

Plan participants may retain an investment adviser representative of our firm to provide advisory services for their retirement plan account. When providing these services, your investment adviser representative acts as a 3(21) ERISA fiduciary. By making this acknowledgement, your investment adviser representative is required to act under the standard of care in ERISA that is generally a higher standard than imposed on your representative under the the Investment Advisers Act of 1940.

- ERISA Participant Advice Program

The ERISA Participant Advice Program allows qualified investment adviser representatives to provide fee-based advisory services to ERISA accounts (e.g., an employer-sponsored 401(k) plan) that are held away from Summit Brokerage Services, our affiliated broker-dealer.

Advisory services available under the ERISA Participant Advice Program include:

- Non-discretionary investment advice
- Asset allocation models
- Strategic investment allocations
- Investment performance reporting

The decision to implement any recommendation rests exclusively with you, the plan participant, and there is no obligation to implement any such recommendations through the Firm or your investment adviser representative.

Services not offered as part of the ERISA Participant Advice Program include:

- Providing investment advice with respect to those assets in your plan that are invested in a particular investment option or security as a result of an investment restriction imposed by the plan, the company sponsoring the plan, or you.
- Providing advice with respect to those assets in your plan held in any self-directed brokerage account or window available under your plan, unless you expressly engaged the Firm to provide advice with respect to such brokerage account, as indicated in your advisory agreement.
- Providing advice regarding the prudence of company stock in your account.
- Exercising any discretionary authority or control over the management or disposition of any investments in your account.
- Providing legal or tax advice or any advice on the voting of proxies solicited on behalf of any securities in your account.

Seminars

From time to time, our investment adviser representatives may present educational financial or investment-related seminars to clients and/or prospective clients. Seminar materials and any handouts provided during a seminar may be prepared by the investment adviser representative or an unaffiliated publisher or distributor of investment seminar materials. The seminars and materials presented at the seminars 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 that may be distributed are intended as specific investment advice. Summit Financial Group does 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. 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.

How We Tailor Our Advisory Services to Your Individual Needs

Your investment adviser representative will work with you to build a financial plan that is tailored to your individual needs. The process starts with an assessment of your financial situation, investment

objectives and risk tolerance. After discussing your investment needs and goals, your adviser will help you determine whether fee-based or commission-based services, or a combination of both, is appropriate for your financial needs and goals. It is important to understand the differences between fee-based and commission-based services.

In a fee-based or advisory relationship, you generally pay a fee that is a percentage of the account's value, or a fixed fee per service, for personalized advice and guidance instead of a commission for each trade. Fee-based services may include portfolio construction, investment recommendations, ongoing advice and/or financial planning tailored to your unique goals and timelines. Fee-based services align the performance of your account with your investment adviser representative's compensation.

In a commission-based or brokerage relationship, you pay a commission, and in some cases a trailing commission, for each transaction. The amount of that commission varies depending on the security or investment product. The charges for each product are described in the prospectus or other offering documents. Commission-based services require your consent for each transaction.

The way you work together with your investment adviser representative may change over time as your financial needs and goals change. It is important to notify your adviser of any changes to your financial situation, investment objectives or risk tolerance so he or she can advise you appropriately.

Portfolio Management Services for Wrap Fee Programs

Summit Financial Group offers portfolio management services through bundled and unbundled programs. Our wrap fee programs are managed similarly to our unbundled programs, but differ in fee structure. A bundled or "wrap fee" program is an advisory fee program under which you pay one bundled fee to compensate Summit Financial Group and your investment adviser representative for portfolio management and trade execution. An unbundled program is an advisory program under which you pay transaction costs in addition to an investment advisory fee. In instances where Summit Financial Group sponsors a wrap fee program that is managed by a third-party asset manager, Summit Financial Group and your investment adviser representative, in addition to the third-party manager, receive a portion of the wrap fee for our services. A wrap fee program may not be the lowest cost option if you would like to restrict your investments to open-end mutual funds or other long-term investment products.

Amount of Assets We Manage

As of December 31, 2016, Summit Financial Group managed approximately \$809,378,728 on a discretionary basis and \$2,990,141,136 on a non-discretionary basis. Discretionary assets under management are those for which we have an ongoing responsibility to select and make securities recommendations that 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 that 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

How We Are Compensated for Our Advisory Services

We charge fees for our advisory services and those fees vary among the different types of advisory services we offer. Summit Financial Group and your investment adviser representative may negotiate advisory fees at our sole discretion. Fees for our advisory services may be higher than fees charged by

other advisers who sponsor similar programs, or if you paid separately for investment advice and other services. You may be charged different fees than similarly situated clients for the same services. The specific fees and manner in which fees are calculated and charged is described in your investment advisory agreement. You should carefully review the investment advisory agreement prior to signing it.

Financial Planning and Consulting

Fees for financial planning services are set at a flat or hourly rate and are payable as services are rendered or upon completion of services and delivery of the evaluation agreed upon by you and your investment adviser representative.

Fees for consulting services are set at a flat or hourly rate and are payable either quarterly, semi-annually or annually in arrears within 30 days after receiving an invoice for the consulting services. In the event your consulting agreement is terminated and the consulting fee is not calculated on an hourly basis, the consulting fee will be prorated based on the services provided through the date of termination.

Factors your investment adviser representative considers when determining your fee include, but are not limited to:

- The amount of time the investment adviser representative expects to spend completing the financial planning or consulting services and providing related advice;
- The complexity of your goals, issues and/or needs;
- The extensiveness and complexity of the data needed regarding your personal financial information, such as your income, expenses, assets and liabilities;
- Your net worth or the value of your investment accounts and/or other assets that are the subject of the financial planning or consulting services; and/or
- Special circumstances related to life change, marital status, health or special income needs, or growth or decline of a personal business.

You may engage your investment adviser representative for additional advisory services offered by Summit Financial Group, or an affiliate, and/or brokerage services in his or her capacity as a registered representative of Summit Brokerage Services, to assist you with implementing one or more recommendations. You will incur additional fees and/or charges for purchasing a product or service recommended by your investment adviser representative to implement a financial plan. Such charges and fees are exclusive of and in addition to the fee you pay Summit Financial Group and your investment adviser representative for financial planning or consulting services. You have complete freedom in selecting an investment adviser or broker-dealer to assist you with implementing the recommendations made by your investment adviser representative and are under no obligation to act upon advice provided by your investment adviser representative.

Portfolio Management

Fees for portfolio management services are based on assets under management and are payable quarterly in advance. Maximum fees for our advisory programs are outlined below. Graduated fee schedules vary by program. Accounts opened on the Wells Fargo platform prior to June 9, 2017 may be subject to a different fee rate. You should refer to your advisory agreement for your specific fee rate(s).

Programs on the Wells Fargo Platform			
Program	Program Type	Maximum Annual Advisory Fee	Bundled or Unbundled
Allocation Advisors	Separately Managed Account	2.25%	Bundled
Diversified Managed Allocations	Separately Managed Account	2.55%	Bundled
Masters Program	Separately Managed Account	Equity & Balanced Accounts: 2.50% Fixed Income Accounts: 2.30%	Bundled
Private Advisor Network	Separately Managed Account	2.05%	Bundled
Wells Fargo Compass Advisory Program	Separately Managed Account	2.25%	Bundled
Customized Portfolios	Separately Managed Account	Fixed Income Portfolios: 2.28% Equity & Option Portfolios: 2.50%	Bundled
CustomChoice	Mutual Fund Advisory Program	\$0 - \$249,999: 1.75% \$250,000 - \$999,999: 1.50% Over \$1,000,000: 1.15%	Bundled
FundSource®	Mutual Fund Advisory Program	Foundations Model Series: 2% All Other Series: 2%	Bundled
Asset Advisor	Adviser-Directed Program	\$0 - \$249,999: 3% \$250,000 - \$999,999: 2.50% Over \$1,000,000: 1.75%	Bundled
Private Investment Management	Adviser-Directed Program	\$0 - \$249,999: 3% \$250,000 - \$999,999: 2.50% Over \$1,000,000: 1.75%	Bundled
Managed Asset Planning	Adviser-Directed Program	3%	Unbundled
Summit Investment Program	Asset Allocation Program	2%	Bundled

In the Managed Asset Planning program, you are responsible for paying the charges for transactions in your account in addition to an advisory fee. For select accounts in the Managed Asset Planning program, your investment adviser representative is responsible for paying the charges for transactions in your account. This presents a conflict of interest in that your investment adviser representative is incentivized to not recommend transactions in your account due to these additional costs. Summit Financial Group mitigates this conflict of interest by requiring that our investment adviser representatives conduct account reviews, at least annually, in an effort to ensure that an advisory account continues to be in the client's best interest. You should refer to the broker-dealer's schedule of clearing charges for specific transaction costs.

Programs on the Pershing Platform			
Program	Program Type	Maximum Annual Advisory Fee	Bundled or Unbundled
Advisor Investment Management	Adviser-Directed Program	First \$1,000,000: 3.00% Over \$1,000,000: 2.50%	Bundled
Advisor Investment Management Plus	Adviser-Directed Program	First \$1,000,000: 3.00% Over \$1,000,000: 2.50%	Unbundled
Summit Elite	Adviser-Directed Program	First \$1,000,000: 3.00% Next \$4,000,000: 2.50% Over \$5,000,000: 2.00%	Unbundled
Summit Elite Plus	Adviser-Directed Program	First \$1,000,000: 3.00% Next \$4,000,000: 2.50% Over \$5,000,000: 2.00%	Unbundled
Investnet Separate Accounts	Separately Managed Account	First \$1,000,000: 3.00% Over \$1,000,000: 2.50%	Bundled
Investnet Multi-Manager Account	Strategist Program	First \$2,000,000: 3.00% Over \$2,000,000: 2.50%	Bundled
Investnet Advisor as Portfolio Manager	Adviser-Directed Program	First \$1,000,000: 3.00% Over \$1,000,000: 2.50%	Bundled
Investnet Unified Managed Account	Unified Managed Account	First \$2,000,000: 3.00% Over \$2,000,000: 2.50%	Bundled
Investnet Mutual Fund/ETF Portfolios	Strategist Program	First \$1,000,000: 3.00% Over \$1,000,000: 2.50%	Bundled
Lockwood Separately Managed Accounts	Separately Managed Account	First \$1,000,000: 3.00% Over \$1,000,000: 2.50%	Bundled
Lockwood AdvisorFlex Portfolios	Mutual Fund/ETF Advisory Program	First \$1,000,000: 2.00% Over \$1,000,000: 1.50%	Bundled
Lockwood Investment Strategies	Unified Managed Account	First \$1,000,000: 3.00% Next \$4,000,000: 2.50% Over \$5,000,000: 2.00%	Bundled
Lockwood Asset Allocation Portfolios	Mutual Fund/ETF Advisory Program	First \$1,000,000: 3.00% Next \$4,000,000: 2.50% Over \$5,000,000: 2.00%	Bundled
BNY Mellon Asset Management Select	Mutual Fund Advisory Program	2%	Bundled
Managed Asset Planning	Adviser-Directed Program	3%	Unbundled
Summit Investment Program	Asset Allocation Program	2%	Bundled

In the Advisor Investment Management Plus, Elite Plus and Managed Asset Planning programs, you are responsible for paying the charges for transactions in your account in addition to an advisory fee. In the Elite program and select accounts in the Managed Asset Planning program, your investment adviser representative is responsible for paying the charges for transactions in your account. This presents a conflict of interest in that your investment adviser representative is incentivized to not recommend transactions in your account due to these additional costs. Summit Financial Group mitigates this conflict of interest by requiring that our investment adviser representatives conduct account reviews, at least annually, in an effort to ensure that an advisory account continues to be in the client's best interest. You should refer to the broker-dealer's schedule of clearing charges for specific transaction costs.

In addition to advisory fees and transaction costs, in the Elite and Elite Plus programs you are also responsible for paying an annual administrative fee of \$150. Your investment adviser representative may elect to pay this fee in lieu of passing it through to you.

A performance link fee may be charged if you elect to have any of your accounts that are custodied at Pershing included in a single, consolidated performance report. There is a separate and additional fee for the Performance Link service, which is based on size of your accounts using the following graduated schedule:

Maximum Annual Performance Link Fee

- First \$500,000: 0.03%
- Next \$500,000: 0.02%
- Over \$1,000,000: 0.01%

A minimum annual fee of \$140 and maximum annual fee of \$250 applies to the Performance Link service.

Please refer to Cetera Advisory Services' Form ADV Brochure for information regarding fees and compensation related to the My Advice Architect™ Program.

Programs on Other Platforms				
Program	Program Type	Custodian	Maximum Annual Advisory Fee	Bundled or Unbundled
Investment Management Program	Adviser-Directed Program	Charles Schwab or TD Ameritrade	3%	Unbundled
Schwab Institutional Intelligent Portfolios	Digital ETF Advisory Program	Charles Schwab	Please consult with your investment adviser representative	Bundled
Summit Foliofn Portfolios	Adviser-Directed Program	Foliofn	3%	Bundled

Selection of Other Investment Advisers

Fees for third-party managed programs are set by the program sponsor/manager. Summit Financial Group and your investment adviser representative receive a portion of the advisory fee you pay to the third-party manager. When acting as a solicitor for a third-party managed program, you will receive a disclosure statement that describes the nature of relationship with the third-party manager, the terms of our compensation arrangement with the manager, including a description of the compensation Summit Financial Group will receive for referring you to the third-party manager and the amount, if any, that you will be charged in addition to the manager's advisory fee for referring you to the manager.

Fiduciary and Non-Fiduciary Services for Plan Sponsors and Participants

Fees for the Plan Advice and Consulting Program are either set at a flat rate, hourly rate or based upon the value of plan assets that are the subject of the consulting services and are generally payable in arrears on a quarterly basis. Fees for one-time projects are payable either upon completion of the project or half paid upon execution of the agreement with the balance due upon completion of the project. A graduated fee schedule may be set by your investment adviser representative for fees based on the value of plan assets. Such fee schedule will be described in your services agreement. The maximum fee that may be charged for the Plan Advice and Consulting Program is 1.5% annually.

Fees for the ERISA Participant Advice Program are either set at a flat rate, hourly rate or based upon the value of the plan account assets and are payable in arrears on a quarterly basis. Fees for one-time projects are payable either upon completion of the project or half paid upon execution of the agreement with the balance due upon completion of the project. A graduated fee schedule may be set by your investment adviser representative for fees based on the value of plan account assets. Such fee schedule will be described in your services agreement. The maximum fee that may be charged for the ERISA Participant Advice Program is 2.25% annually.

Seminars

If you attend a seminar presented by an investment adviser representative of our firm, there may be a fee associated with your attendance. This fee will be set at a fixed rate and may include the cost of materials distributed at the seminar.

Payment of Fees

Fees for our advisory services are either deducted from your account or billed. The specific manner in which fees may be paid and the frequency of fee deduction/billing varies by service:

- **Financial Planning and Consulting:** Financial planning fees are payable as services are rendered or upon completion of services and delivery of the evaluation agreed upon by you and your investment adviser representative. Consulting fees are payable either quarterly, semi-annually or annually in arrears within 30 days after receiving an invoice for the consulting services.
- **Portfolio Management:** Fees for portfolio management services are deducted from cash holdings or by liquidating assets held in your account. Portfolio management fees are payable quarterly in advance.
- **Selection of Other Investment Advisers:** The specific manner in which fees may be paid and the frequency of fee deduction/billing for third-party managed programs varies. You should refer to the manager's Form ADV Part 2A Brochure for additional information.
- **Fiduciary and Non-Fiduciary Services for Plan Sponsors and Participants:** Fees for fiduciary and non-fiduciary consulting services for plan sponsors are either billed or debited from participants' accounts. Fiduciary and non-fiduciary consulting fees are generally payable in arrears on a quarterly basis. Fees for one-time projects are payable either upon completion of the project or half paid upon execution of the agreement with the balance due upon completion of the project.

Fees for fiduciary services for plan participants are either billed or debited from the participant's checking or brokerage account. Advisory fees are payable in arrears on a quarterly basis.

- **Seminars:** Fees for seminars are payable in advance of attendance.

Other Types of Fees and Expenses You May Incur

You may incur additional charges imposed by custodians, broker-dealers, investment companies, insurance companies and other third parties, such as account maintenance fees, transaction costs, surrender charges, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. Such charges and fees are exclusive of and in addition to Summit Financial Group's fees. You are responsible for payment of any and all taxes that may be due as a result of any transactions in your account.

In addition to advisory fees, you are responsible for paying any management and other fund-related expenses for the mutual funds in which your account assets are invested. This includes redemption fees

imposed by the mutual fund or custodian as a result of a transaction-related request you initiate (such as a partial or complete liquidation of your account). Decisions to reallocate your account assets may result in you incurring a redemption fee imposed by one or more mutual funds held in your account. Distribution or “12b-1” fees paid by the mutual funds in which your account assets are invested are credited back to the account for your benefit.

Mutual funds available on Pershing’s FundVest platform impose short-term trading fees if assets are redeemed within a specified period of time of purchase. Ticket charges may also be imposed if certain fund minimums are not met.

Advance Payment of Fees

Generally, fees for our advisory services require you to pay investment advisory fees in advance of receiving services. Upon termination of your account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Refunds are automatically processed upon termination.

- For financial planning and consulting services, the amount of a refund is calculated based on the value of the services that were completed.
- For portfolio management services, the amount of a refund is calculated by taking the total advisory fee billed for the calendar quarter, dividing that amount by the number of days in the calendar quarter and multiplying that amount by the number of days services were not provided during the calendar quarter.
- For selection of other investment advisers, the third party manager determines the manner in which fees are billed (in advance or arrears). You should refer to the manager’s Form ADV Part 2A Brochure for additional information on how fees are paid for their services.
- Fiduciary and Non-Fiduciary Services for Plan Sponsors: Fees for fiduciary and non-fiduciary consulting services for plan sponsors are generally payable in arrears. For one-time projects that are partly paid upon execution of the agreement, the amount of a refund is calculated based on the value of the services that were completed.

Fees for advisory services for ERISA participants are payable in arrears.

- Seminars: Refunds for seminar attendance are determined on a case-by-case basis.

Other Types of Compensation We Receive

Your investment adviser representative also acts as a registered representative of our affiliated broker-dealer, Summit Brokerage Services, Inc. As a registered representative, he or she accepts compensation for the sale of securities in a non-fee-based brokerage account, including asset-based sales charges and service and distribution fees from the sale of mutual funds. The receipt of such compensation presents a conflict of interest and gives your investment adviser representative an incentive to recommend commission-based products in addition to advisory services based on the compensation he or she will receive, rather than on your needs. Summit Financial Group addresses this conflict of interest by requiring that your investment adviser representative uphold their fiduciary duty to provide investment advice that is in your best interest and disclosing the conflict to you before or at the time you enter into an investment advisory contract with our firm. When recommending mutual funds, Summit Financial Group and our investment adviser representatives primarily recommend no-load or load-waived funds for advisory accounts. In instances where a distribution or “12b-1” fee is paid by a mutual fund you hold in your advisory account, such fee is credited back to the account for your benefit.

You have the option to purchase investment products that your investment adviser representative recommends through other brokers or agents that are not affiliated with Summit Financial Group.

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

Summit Financial Group 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 on or capital appreciation of your assets. Side-by-side management refers to the practice of managing both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee.

Item 7 – Types of Clients

Summit Financial Group offers investment advisory services to individuals, pension, profit sharing and other employer sponsored plans, corporations and other business entities. The requirements for opening an account vary by the type of account you maintain and the program you select. Minimum investments may be waived at our sole discretion. For example, we may consider account values for your minor children, spouse and other types of related accounts in an effort to meet the stated minimum.

The minimum investment required for our programs are as follows:

Programs on Wells Fargo Platform	
Program Series	Account Minimum
Wells Fargo Advisers	
<ul style="list-style-type: none"> Allocation Advisors <ul style="list-style-type: none"> Strategic ETF, Morningstar Strategic ETF, Morningstar ETF, Laffer Global Portfolio, Laffer Dynamic U.S. Inflation Portfolio and Active/Passive Portfolios CAAP Plus and Compass ETF Portfolios Diversified Managed Account <ul style="list-style-type: none"> Optimal Blends Customized Blends Masters Private Advisors Network Wells Fargo Compass Advisory Program <ul style="list-style-type: none"> Individual Strategies Multi-Equity Strategies Asset Allocation Strategies <ul style="list-style-type: none"> Aggressive Growth All Other Strategies Customized Portfolios <ul style="list-style-type: none"> Taxable and Tax-Exempt Fixed Income Custom Option Portfolio Iron Condor Option Portfolio Equity Portfolios CustomChoice FundSource® <ul style="list-style-type: none"> Foundations Model Series All other Series Asset Advisor Private Investment Management 	<ul style="list-style-type: none"> \$25,000 \$50,000 \$250,000 or portfolio minimum \$100,000 \$100,000 (subject to manager minimums) \$100,000 (subject to manager minimums) \$50,000 \$50,000 \$150,000 \$250,000 \$2,000,000 \$250,000 \$3,000,000 \$50,000 \$25,000 \$10,000 \$25,000 \$25,000 \$50,000
MAP	\$10,000
VIP	\$10,000

Programs on Pershing Platform	
Program Series	Account Minimum
AIM and AIM Plus	\$25,000
Elite and Elite Plus	\$50,000
Envestnet: <ul style="list-style-type: none"> • Separate Accounts • Multi-Manager Account • Advisor as Portfolio Manager • MF/ETF program • Unified Managed Account • Multi-manager program 	\$100,000 - \$250,000 per manager \$250,000 (minimums for select asset managers may be higher) \$10,000 \$250,000 \$150,000 per model allocation \$25,000 - \$100,000 (varies by model strategy)
Lockwood <ul style="list-style-type: none"> • Separately Managed Accounts • AdvisorFlex Portfolios • Investment Strategies • Asset Allocation Portfolios 	\$100,000 per manager \$50,000 \$250,000 \$50,000
BNY Mellon Asset Management	\$50,000
MAP	\$10,000
VIP	\$10,000

Programs on Other Platforms	
Investment Management Program	\$10,000
Schwab Intelligent Portfolios	\$5,000
Summit Foliofn Portfolio	\$10,000

Please refer to Cetera Advisory Services' Form ADV Brochure for the minimum investments required for the My Advice Architect Program.

Fiduciary Services for ERISA Participants	
ERISA Participant Advice Program	\$25,000

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

Our Methods of Analysis

Your investment adviser representative may use various methods to determine an appropriate investment strategy for your portfolio. Meetings with you investment adviser representative will include discussions regarding the methods of analysis that will be employed for your account. These methods may include, but are not limited to, technical analysis, fundamental analysis or a combination of methods.

- Technical analysis utilizes statistics to determine trends in security prices and tends to focus on trading volume, demand and security price fluctuations. Technical analysis is also commonly referred to as chart analysis.
- Fundamental analysis concentrates on earnings, a company's financial statements and the quality of a company's management to determine the financial strength of a company.

Investing in securities involves risk of loss that you should be prepared to bear.

Our Investment Strategies

Your investment adviser representative may employ various investment strategies to guide with investment decisions based on your individual goals, risk tolerance and time horizon. These strategies may include, but are not limited to, asset allocation, diversification, dollar cost averaging or other strategies deemed appropriate for your individual situation.

- Asset Allocation is a strategy that involves dividing an investment portfolio among different asset classes, such as stocks, bonds and cash. Various asset allocation methods may be used by your investment adviser representative to help you achieve your investment goals, including, without limitation, strategic asset allocation and tactical asset allocation.
 - Strategic asset allocation is a strategy that involves setting target allocations for various assets classes based on expected rates of return for each asset class and periodically rebalancing a portfolio back to the target allocations.
 - Tactical Asset Allocation is a strategy that involves actively shifting the percentage of assets held in various asset classes to take advantage of market opportunities and returning to a portfolio's original asset mix when desired profits are achieved.

There is no guarantee that asset allocation will ensure a profit or protect against a loss.

- Diversification is a risk management technique that involves using a variety of dissimilar investments in a portfolio so that investments that yield a higher return offset investments with a negative return.

Diversification does not assure a profit or protect against a loss. As more investments are added to a portfolio, fees and expenses may increase, which will, in turn, lower investment returns.

- Dollar-Cost Averaging is a strategy that involves buying a fixed dollar amount of securities at regularly scheduled intervals, regardless of the price per share. Dollar cost averaging aims at reducing the risk of incurring substantial losses resulting from investing a lump sum in securities just before a market downturn.

There is no guarantee that dollar-cost averaging will ensure a profit or protect against loss.

Risk of Loss

There is no guarantee that investment recommendations made by your investment adviser representative will be accurate. Summit Financial Group cannot assure that your portfolio will increase, preserve capital or generate income, nor can we assure that your objectives will be realized.

Your investment adviser representative may recommend a variety of security types for your account in an effort to achieve your individual needs and goals. Described below are the material risks associated with investing in some of the types of securities available through our advisory programs:

Cash and Cash Equivalents

A portion of your assets may be invested in cash or cash equivalents to achieve your investment objective, provide ongoing distributions and/or take a defensive position. Cash holdings may result in a loss of market exposure.

Fixed-Income Securities

The return and principal value of bonds fluctuate with changes in market conditions. Fixed income securities have interest rate risk and credit risk. As interest rates rise, existing bond prices fall and can cause the value of an investment to decline. Changes in interest rates generally have a greater effect on bonds with longer maturities than on those with shorter maturities. If bonds are not held to maturity, they be worth more or less than their original value. Credit risk refers to the possibility that the issuer of a bond will not be able to make principal and/or interest payments. High yield bonds, also known as “junk bonds,” carry higher risk of loss of principal and income than higher rated investment grade bonds.

Equity Securities

In general, prices of equity securities are more volatile than those of fixed income securities. The prices of equity securities will rise and fall in response to a number of different factors, including events that affect particular issuers as well as events that affect entire financial markets or industries. Small- and mid-capitalization stocks may have greater price volatility, lower trading volume and less liquidity than large-capitalization stocks.

Mutual Funds

Mutual funds may invest in different types of securities, such as value or growth stocks, real estate investment trusts, corporate bonds or U.S. government bonds. There are risks associated with each asset class.

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund. Redemption is at them current net asset value, which may be more or less than the original cost. Aggressive growth funds are most suitable for investors willing to accept price per share volatility since many companies that demonstrate high growth potential can also be high risk. Income from tax-free mutual funds may be subject to local, state and/or the alternative minimum tax.

Because each mutual fund owns different types of investments, performance will be affected by a variety of factors. The value of your investment in a mutual fund will vary from day to day as the values of the underlying investments in a fund vary. Such variations generally reflect changes in interest rates, market conditions and other company and economic news. There risks may become magnified depending on how much a fund invests or uses certain strategies.

You will find additional information regarding these risks in the prospectus for each individual mutual fund held in your account. You can request a copy of a prospectus from your investment adviser representative or by contacting the investment company directly.

Exchange-Traded Funds (ETFs)

ETFs are typically investment companies that are legally classified as open-end mutual funds or unit investment trusts. ETFs differ from traditional mutual funds, in particular, in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other

publicly traded companies. ETF shares may trade at a discount or premium to their net asset value. This difference between the bid price and ask price is often referred to as the “spread.” The spread varies over time based on the ETF’s trading volume and market liquidity, and is generally lower if the ETF has a lot of trading volume and market liquidity and higher if the ETF has little trading volume and market liquidity. Liquidity risks are higher for ETFs with a large spread. ETFs may be closed and liquidated at the discretion of the issuing company. Although many ETFs are registered as an investment company under the Investment Company Act of 1940 like traditional mutual funds, some ETFs, in particular those that invest in commodities, are not registered as an investment company.

Options

Certain types of option trading may be permitted in your account in order to generate income or hedge a security held in the account. There are additional risks with using options. The risks of covered call writing include the potential for the market to rise sharply, which may cause the security to be called away and no longer be held in the account. The risk of buying long puts is limited to the loss of the premium paid for the purchase of the put if the option is not exercised or otherwise sold.

Alternative Investments

Alternative investments are illiquid investments and do not trade on a national securities exchange. Alternative investments typically include investments in direct participation program securities (partnerships, limited liability companies, business development companies or real estate investment trusts), commodity pools, private equity, private debt or hedge funds. Alternative investments are subject to various risks, such as illiquidity and property devaluation based on adverse economic and real estate market conditions.

Alternative investments are not suitable for all investors. Investors considering an investment strategy utilizing alternative investments should understand that alternative investments are generally considered speculative in nature and may involve a high degree of risk, particularly if concentrating investments in one or few alternative investments. These risks are potentially greater and substantially different than those associated with traditional equity or fixed income investments.

You will find additional information regarding these risks in the product’s prospectus. You can request a copy of a prospectus from your investment adviser representative. You should read the prospectus carefully before investing in an alternative investment.

International Investing

There are additional risks associated with international investing, such as currency fluctuations, political and economic stability and differences in accounting standards. These risks may be magnified in emerging markets.

Item 9 – Disciplinary Information

In July 2011, the Pennsylvania Securities Commission accepted an offer of settlement in which Summit Financial Group proposed a settlement of an alleged violation of the Pennsylvania Securities Act of 1972. Without admitting or denying the allegations, Summit Financial Group agreed to pay an administrative penalty of \$21,500 for failing to register one investment adviser representative in the Commonwealth of Pennsylvania, and comply with the Pennsylvania Securities Act of 1972.

Item 10 – Other Financial Industry Activities and Affiliations

Broker-Dealer Activities and Affiliations

Summit Financial Group is a wholly owned subsidiary of Summit Brokerage Services, Inc., a FINRA member broker-dealer. Some of Summit Financial Group's management team are registered representatives of Summit Brokerage Services and/or another affiliated Cetera Financial Group broker-dealer.

Other Material Relationships

Summit Financial Group is part of Cetera Financial Group, Inc., a network of financial services firms that includes other registered investment advisers and broker-dealers. Our affiliates include:

- Summit Brokerage Services, a broker-dealer
- SBS Insurance Agency of FL, Inc., an insurance agency
- SBS of California Insurance Agency, Inc., an insurance agency
- Cetera Advisor Networks, LLC, a broker-dealer, registered investment adviser, insurance agency and pension consultant
- Cetera Advisor Networks Insurance Services, LLC, an insurance agency
- Cetera Advisors LLC, a broker-dealer, registered investment adviser, insurance agency and pension consultant
- Cetera Financial Specialists LLC, a broker-dealer and insurance agency
- Cetera Investment Services LLC, a broker-dealer and insurance agency
- Cetera Investment Advisers LLC, a registered investment adviser and pension consultant
- Cetera Advisory Services, a registered investment adviser
- Cetera Insurance Agency, an insurance agency
- Cetera Advisors Insurance Services LLC, an insurance agency
- Tower Square Investment Management LLC, a registered investment adviser
- First Allied Advisory Services, Inc., a registered investment adviser and pension consultant
- First Allied Securities, Inc., a broker-dealer and registered investment adviser
- FASI Insurance Services, Inc., an insurance agency
- First Allied Retirement Services, Inc., a pension consultant
- FASI of TX, an insurance agency
- Girard Securities, Inc., a broker-dealer and registered investment adviser

Other Investment Advisers

Your Investment Adviser Representative may recommend other investment advisers to you and receives compensation for doing so. This creates an incentive for your investment adviser representative to recommend an investment adviser that provides them with the most compensation. It is important to consider the fees, level of service and investment strategies, among other factors, when determining whether an investment adviser is suited to meet your individual needs and goals. Your investment adviser representative has a fiduciary duty to recommend an investment adviser that he/she believes is best suited to meet your investment needs and goals.

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

Our Code of Ethics

Summit Financial Group is committed to providing investment advice with the utmost professionalism and integrity.

To help us avoid conflicts of interest, we have developed a Code of Ethics designed to protect our professional reputation and comply with federal and other applicable securities laws. The Code of Ethics sets forth guidelines and restrictions for personal securities trading, including an absolute prohibition of trading on the basis of “inside” (material, non-public) information. Adherence to the Code of Ethics is a condition of employment or affiliation with our firm.

Summit Financial Group will provide a copy of our Code of Ethics to you upon request. You may request a copy of our Code of Ethics by contacting our Compliance Department at (800) 226-2660.

Participation or Interest in Client Transactions

Your investment adviser representative may purchase or sell the same security he or she recommends to you. This creates a conflict of interest in that your investment adviser representative may receive a better price than you. Our Code of Ethics places restrictions on your investment adviser representative’s personal trading activities. These restrictions include, but are not limited to, a prohibition on trading based on non-public information, pre-clearance requirements for certain transactions and a requirement that any personal securities transactions not disadvantage clients or otherwise raise fiduciary or antifraud issues.

Item 12 – Brokerage Practices

Selection and Recommendation of Broker-Dealers

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 Wells Fargo Clearing Services, LLC (an affiliate of Wells Fargo & Company and referred to hereinafter as “WFCS”). 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.

In addition to Pershing and WFCS, SFG has clearing relationships with TD Ameritrade Institutional, Charles Schwab & Co., Inc., and FolioFⁿ, and certain account types may be custodied (held at) one of these custodians.

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.

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 WFCS. SBS is registered with the SEC and state jurisdictions and is a member of 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.

Research and Other Soft Dollar Benefits

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 advisers 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.

Unaffiliated Third Party Custodians

SFG may recommend or require that clients establish investment advisory accounts with unaffiliated third party custodians and/or broker-dealers (“Custodians”), including but not limited to Charles Schwab & Co., Inc., TD Ameritrade Institutional, WFC, Pershing, and Fidelity to maintain custody of clients’ assets and to effect trades for their accounts. The final decision to custody assets with any Custodian is at the discretion of the client, including those accounts covered under ERISA or Internal Revenue Service (“IRS”) rules governing Individual Retirement Accounts (“IRAs”). Custodians provide SFG with access to its institutional trading and custody services, which are typically not available to retail commission brokerage clients.

The Custodians SFG has agreements with offer brokerage services, execution, custody, research, analyses and reports, and access to mutual funds and other investments that otherwise generally available would only be made available to institutional investors.

For SFG client accounts, the Custodians generally do not charge separately for their custody services, but they are compensated by account owners through commissions and/or other transaction-related or asset-based fees for securities trades that are executed through the Custodian. Custodians may also make available to SFG other products and services that benefit SFG, but may not benefit the client. These benefits may include national, regional or SFG specific educational events organized and/or sponsored by the Custodians. Other potential benefits may include occasional business entertainment of personnel of SFG by the Custodians, including meals, invitations to sporting events, and other forms of entertainment, some of which may be accompanied by educational opportunities.

Additional products and services offered through Custodians assist SFG in managing and administering its clients’ accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of SFG’s fees from its clients’ accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of SFG’s accounts, including accounts not maintained at Custodians. Custodians also make available to SFG other services intended to help SFG manage and further develop its business. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, insurance, and marketing. In addition, Custodians may make available, arrange and/or pay vendors for these types of services rendered to SFG by independent third parties.

Custodians may also discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to SFG. As a fiduciary, SFG endeavors to act in its clients’ best interests. SFG’s recommendation or requirement that clients maintain their assets in accounts at Custodians may be based in part on the benefit to SFG of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by the Custodians. Offering these additional services through Custodians may create a potential conflict of interest to SFG’s clients.

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

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, you should inform your IAR of any material changes to your financial situation, goals and objectives. Your IAR should then note those updates and advise you regarding any adjustment(s) which may be necessary to your account(s).

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, issues or potential discrepancies.

- **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 receive account statements, transaction confirmations (unless suppressed) 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

- **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 will 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 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 as an RR of SBS, 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

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 and immediately contact your IAR if you note any discrepancies.

Item 16 – Investment Discretion

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 for the transaction(s).

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

Summit Financial Group generally does not vote proxies on your behalf. You retain the responsibility for receiving and voting proxies for any and all securities maintained in your account, unless otherwise stated in your advisory agreement. For third-party asset manager programs, the manager may require that you appoint their firm to vote proxies on your behalf. You should refer to the manager's Form ADV brochure(s) for additional information on their proxy voting policy.

advisory agreement and the manager's brochure for. 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. In such a case, SFG would generally vote 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

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, 2016. 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	
AS OF DECEMBER 31, 2016	
ASSETS	
Cash and cash equivalents	\$ 15,549,925
Receivables from clearing brokers	6,756,353
Commissions receivable	5,376,362
Other receivables, net of allowance	2,343,740
Notes receivable, net of allowance	518,618
Goodwill	500,714
Deferred tax asset, net	1,067,950
Other assets	<u>618,658</u>
TOTAL ASSETS	<u>\$ 32,732,320</u>
LIABILITIES AND STOCKHOLDER'S EQUITY	
LIABILITIES:	
Commissions payable	\$ 6,934,615
Accrued compensation	2,988,468
Accounts payable and accrued expenses	2,117,937
Unearned income	12,000
Other liabilities	<u>1,810,549</u>
TOTAL LIABILITIES	<u>13,863,569</u>
COMMITMENTS AND CONTINGENCIES (Note 9)	
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	16,187,208
Retained earnings	<u>2,681,543</u>
TOTAL STOCKHOLDER'S EQUITY	<u>18,868,751</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$ 32,732,320</u>