



Sumnicht & Associates, LLC

Form ADV Part 2 Brochure

November 20, 2015

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This brochure provides information about the qualifications and business practices of Sumnicht & Associates, LLC. If you have any questions about the contents of this brochure, please contact us at 920-731-4455. 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 Sumnicht & Associates, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

Material changes since March 27, 2015 filing:

- **B. Fees and Compensation, 6. Alternative Fee Arrangements for Special Projects:**

Change to hourly rate range. Currently range \$100 - \$500 per hour; new range \$75 - \$650 per hour.

A. Advisory Business	1
Description of Advisory Firm	1
Description of Services Offered	1
Description of Financial Industry Qualifications	2
Types of Traditional Asset Managed Investment Services	3
Alternative Investment Assets Available to Clients of Sumnicht & Associates	5
401(k) and other corporate retirement plans advised by Sumnicht & Associates, LLC (Non-individual IRA/Roth IRA)	6
Tailoring of Services to Client Needs and Objectives	7
Sumnicht and Associates Participation in Wrap Fee Programs	8
Assets Under Management at Sumnicht & Associates	8
Trust Administration Services	8
B. Fees and Compensation	8
Description of Compensation to Sumnicht & Associates for Advisory Services	8
Fee schedule for 401(k) and other corporate retirement plans advised by Sumnicht & Associates, LLC	10
Timing of Billings for Advisor Remuneration	11
Client Agreements May Authorize Direct Debit of Fees Owed Sumnicht & Associates and/or Custodian	11
WRAP Fees	11
Investment Advisory Contract/Financial Planning Agreement/Private Placement Subscription Agreement and Other Important Business Terms	12
Alternative Fee Arrangements for Special Projects	12
Other Important Business Terms	13
C. Performance-Based Fees and Side-By-Side Management	13
Performance-Based Fees	13
Side-by-Side Management	13
D. Types of Clients	13
Sumnicht & Associates' clients	13
Minimum Investment Management Account Size	13
E. Methods of Analysis, Investment Strategies and Risk of Loss	14
F. Disciplinary Information	14
G. Other Financial Industry Activities and Affiliations	14
H. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	15
Sumnicht & Associates Code of Ethics	15
Personal Securities Transactions and Trading Policy	15
Conflicts of Interest	15
Confidentiality	15
Gifts and Gratuities	15
Compliance with Code of Ethics	15
I. Brokerage Practices	16
J. Review of Accounts	17
K. Client Referrals and Other Compensation	17
L. Custody	17
M. Investment Discretion	18
N. Voting Client Securities	18
O. Financial Information	18

A. Advisory Business

1. **Description of Advisory Firm** - Sumnicht & Associates, LLC (“Sumnicht & Associates” or “the Firm”), a boutique independent fee-based, high net-worth family wealth manager, was founded by Vernon C. Sumnicht, MBA, CFP® in 1988. The Firm provides family office services to high net-worth clients and institutional investment consulting to institutional clients. The team serves more than 100 high net-worth and other families throughout the United States and as of December 31, 2014, manages \$266.1 million in its clients’ discretionary and non-discretionary investment portfolios.
 - a. The principal owner of Sumnicht & Associates is Sumnicht Holdings, LLC, which is owned by Vernon C. and Debra A. Sumnicht.
 - b. Sumnicht & Associates, LLC is affiliated with iSectors, LLC, a registered investment adviser, which is also owned by Vernon C. and Debra A. Sumnicht.

2. Description of Services Offered

Sumnicht & Associates’ senior team includes three professionals, all of whom have MBAs in finance. All of these individuals have one or more of the following financial industry qualifications: Certified Financial Planner (CFP®), Chartered Financial Analyst (CFA®), Certified Public Accountant (CPA). These professionals each have over thirty years experience in finance, investments and business. The Firm’s philosophy is to provide a multi-discipline team to service client families. This team approach has been successful at providing and coordinating other skilled professionals, estate planning attorneys, independent trust companies and tax accountants/CPAs, for a full range of integrated family wealth investment services, including:

Financial Counseling
Investment Policy Statement Preparation
Asset Allocation Strategies
Investment Management
Multi-Manager Investment Program
Alternative Investments
Customized Portfolio Performance Reporting
Portfolio Structure & Diversification Strategies
Insurance Counseling
Tax Planning
Trust & Estate Planning
Retirement Planning
Pension & 401(k) Plans

Intergenerational Wealth Planning
Family Governance Solutions
Control and Succession Issues
Generational Transitions
Education of Future Generations
Foundation Services
Charitable Giving Strategies
Philanthropic Advisory Services
Corporate Trustee Services
Fiduciary Services & Trust Administration
Custody & Master Custody Services
Bill Paying Services for Family Office Clients
Family Foundations

3. Descriptions of Financial Industry Qualifications

CFP® Description

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

CFA® Designation

The CFA® (Chartered Financial Analyst) Charter is a globally recognized, graduate-level investment credential. Earning it demonstrates a commitment to professional ethics and expertise with the broad range of skills needed for competitive careers in the investment profession. To earn the CFA Charter, individuals must complete the CFA Program.

Earning the CFA charter demonstrates mastery of the skills most needed for investment analysis and decision making in today's fast-evolving global financial industry. To earn the CFA charter, an individual must have four years of qualified investment work experience; must become a member of CFA Institute (the global association of investment professionals that administers the CFA charter), pledging to adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct on an annual basis; must apply for membership to a local CFA member society; and must complete the CFA Program.

The Program is organized into three levels, each culminating in a six-hour exam. CFA Program candidates report dedicating in excess of 300 hours of study per level. Completing the entire Program is a significant challenge that takes most candidates between two and five years. To ensure that the Program maintains a focus on the global investment management profession from the standpoint of practitioners, practicing CFA charter holders from around the world are involved at every stage of curriculum development, exam development, exam grading, and even the setting of the minimum passing scores.

CPA Description

The Certified Public Accountant (CPA) designation is a valuable credential that attests to the professional's in-depth knowledge of accounting principles and practices, including applicable laws and regulations.

- To become a CPA (Certified Public Accountant), an individual must receive a degree in accounting from an accredited college or university with 150 credit hours.
 - Individual must take the CPA Exam and Ethics Exam.
 - To become licensed in Wisconsin, individual must have one year of experience in public accounting or its equivalent.
 - The Wisconsin CPA license must be renewed every 2 years.
4. **Types of Traditional Asset Managed Investment Services** - Sumnicht & Associates generally provides three types of Traditional Asset (Stocks and Bonds) investment programs: Separately Managed Accounts (SMAs) using individual money managers, Separately Managed Accounts using Exchange-Traded Funds (ETFs)-based allocation models, and Mutual Fund Management Programs generally using SEI and Russell funds. Separately Managed Account programs using independent managers may be suggested to clients with total investments in Traditional Assets generally in excess of \$1 million. This minimum is based upon the individual money manager account minimums and, therefore, can vary based upon specific manager selection. Mutual Fund Management Programs may be suggested to clients with total Traditional Assets investments of less than \$1 million. Separately managed investment accounts with ETF allocation models may be suggested to clients with more or less than \$1 million to invest. The final decision of the investment program is the client's and is based upon an objective and subjective evaluation of all

factors in conjunction with the advisor's advice. Some clients may benefit from only one, two or all three of these investment platforms.

- a. **Mutual Fund Management Program** – For accounts with less than \$1 million, if appropriate for reaching the client's overall objectives and unless the client directs otherwise, Sumnicht & Associates may recommend that investment management accounts be maintained with SEI Investments Company ("SEI"), Russell Managed Portfolios ("Russell") and/or Envestnet Advisory Corp. ("Envestnet"--regarding ETF Model Portfolios). Some factors, which Sumnicht & Associates may consider in recommending these financial organizations, include financial strength, reputation, execution, pricing, reporting, research, and service.

These Mutual Fund Management Programs enable Sumnicht & Associates to offer its clients mutual fund asset allocation models, underlying individual mutual funds, and investment management programs (i.e., tax-managed investment programs) that are not otherwise available to the general public.

In addition to Sumnicht & Associates' investment management fee, the client, relative to all mutual fund purchases, shall also incur charges imposed at the mutual fund or exchange-traded fund level (e.g., advisory fees, brokerage commissions and/or transaction fees, and any other fund or exchange-traded fund expenses).

As part of their overall investment management program, SEI, Russell, and Envestnet offer rebalancing of each client's investment assets for the purpose of maintaining the assets in accordance with the client's previously designated percentage (%) asset allocations. If a client does not desire automatic account rebalancing, the client must first provide such authorization directly to Sumnicht & Associates, who will then advise SEI, Russell and/or Envestnet accordingly. Otherwise, Sumnicht & Associates shall determine all such rebalancing and reallocation decisions pursuant to its grant of discretionary authority.

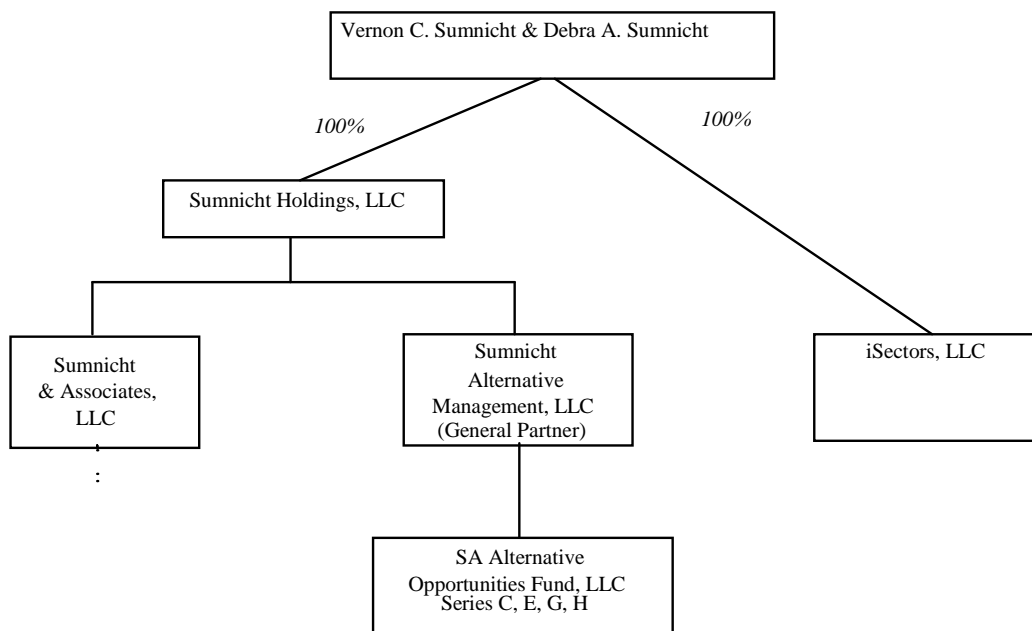
- b. **Separately Managed Account Models** – An alternative to the Mutual Fund Management Program described above, and the Separately Managed Investment Portfolios/Accounts described below, is a program entitled Envestnet Separately Managed Account Models. This program provides investors with the benefits of separately managed portfolios/accounts with lower required minimum account sizes. Under this program, each Separate Account Manager manages a "Model" which guides Envestnet to make trades to balance the managed accounts to the Model. (Additional information is available upon request.)
- c. **Separately Managed Investment Portfolios/Accounts** – Sumnicht & Associates may recommend that certain clients authorize the active discretionary management of all, or a portion of their assets among certain independent investment manager(s) ("Separate Account Manager[s]"). The Separate Account Manager(s) shall be recommended by Sumnicht & Associates, based upon the stated investment objectives of the client and detail knowledge of the investment management program sponsor (Envestnet Advisory Corp. ["Envestnet"], Russell, or SEI).
- d. **Exchange-Traded Funds ("ETF") Models** – Sumnicht & Associates may recommend ETF Models licensed by iSectors (an affiliated registered investment advisor) through Envestnet. See the iSectors, LLC Form ADV Part 2 brochure.

5. Alternative Investment Assets Available to Clients of Sumnicht & Associates:

- a. **SA Alternative Opportunity Fund, LLC (the “SA Fund”)** - Sumnicht Alternative Management, LLC currently serves as Managing Member of SA Alternative Opportunity Fund, LLC, a Delaware Series Limited Liability Company. Each series is exempt from registration under the Securities Act and the various State Securities laws, and the Fund is not registered under the Investment Company Act pursuant to exemption provided by Section 3(c)(1).

If clients qualify, they are eligible to participate as LLC investment members in the SA Fund. Investment in the SA Fund involves a significant degree of risk. All relevant information, terms and conditions relative to the Fund, including the remuneration and expense reimbursement to be received by Sumnicht Alternative Management, LLC, the Managing Member, suitability, risk factors, and potential conflicts of interest, are set forth in the Confidential Private Placement Memorandum (the “Memorandum”), Operating Agreement for SA Alternative Opportunity Fund, LLC (the “Agreement”), and the Subscription Documents, which each of the investors is required to receive and/or sign prior to being accepted as a Series LLC Member of the SA Alternative Opportunity Fund, LLC.

Vernon C. Sumnicht is the Managing Member and owner of Sumnicht Holdings, LLC, which is the Managing Member of Sumnicht Alternative Management, LLC. Sumnicht Holdings, LLC is also the Managing Member of Sumnicht & Associates, LLC. Sumnicht Alternative Management, LLC is paid management fees and performance allocations (back-end) by the SA Fund for its management of the SA Fund. These performance allocations will be in accordance with the Fund’s Memorandum and Agreement, and is in accordance with the requirements under Rule 205-3 of the Investment Advisers Act of 1940.



In prior years, SA Alternative Opportunity Fund, LLC Series C, E, G, and H were closed to new investors.

Sumnicht & Associates will devote its best efforts with respect to its management of and investment advice to both the SA Fund and its individual client accounts. Given the above discussion relative to the objectives, suitability, risk factors, and qualifications for participation in the SA Fund, Sumnicht Alternative Management, LLC may give advice or take action with respect to the SA Fund that differs from the advice given or action taken by Sumnicht & Associates, LLC advisors and/or employees for their personal investment accounts.

6. 401(k) and other corporate retirement plans advised by Sumnicht & Associates, LLC (Non-individual IRA/Roth IRA)

Sumnicht & Associates provides retirement planning services, including 401(k), 403(b) or other retirement plans, in conjunction with third-party administrators (TPA”) selected by the Plan. Third-party administrators, such as Pension Inc. of Green Bay, WI, provide recordkeeping functions, including regulatory filings, for one or more 401(k), 403(b) or other plans (each a “Plan,” and collectively the “Plans”) pursuant to a written agreement between the third-party administrator and the Plan.

Sumnicht & Associates provides advisory services to retirement plans through more than one platform; one of which is Mid Atlantic Trust Company’s ModelxChange platform. The ModelxChange platform incorporates mutual fund and ETF investment models into retirement plans through a single, web-based interface that allows for the creation, execution and ongoing management of investment models. Those models and corresponding model changes are then delivered to each individual plan through the ModelxChange platform.

Sumnicht & Associates, as an adviser to the Plan, provides advice to the Plan and its Trustees regarding the investment universe, from which the Plan selects investment choices to be offered to the Plan participants.

The retirement plans for which Sumnicht & Associates provides advisory services may select iSectors ETF based models as one of the investment options for the Plan’s participants. iSectors® LLC licenses ETF based models to Sumnicht & Associates for use by Sumnicht’s retirement plan clients pursuant to the terms and conditions of a separate written agreement between the parties.

iSectors is a SEC-registered investment advisor affiliated with Sumnicht & Associates and, therefore, to avoid a potential conflict of interest, or the appearance thereof, iSectors waives its normal fees for 401(k) and other retirement plans advised by Sumnicht & Associates. Sumnicht compensates iSectors, for licensing the ETF models, directly out of a portion of the Advisory fee that Sumnicht receives for its services to the Plan(s). As such, there is no additional charge to Plan participants when iSectors models are used in Plans advised by Sumnicht.

7. Tailoring of Services to Client Needs and Objectives

Sumnicht & Associates provides its clients (i.e. individuals, families, pension and profit sharing plans, foundations, endowments, other trusts, and business entities) with discretionary and non-discretionary investment management services, tailored to the needs of the client. In addition, as also discussed below, to the extent requested by the client, and agreed upon by Sumnicht & Associates, the Firm may provide financial planning and related consulting services for a separate and additional fee. Sumnicht & Associates is compensated for investment management services based upon a percentage of assets under management. Financial planning/advisory services are billed monthly, quarterly, or at the completion of service.

Before the Firm's advisors give financial advice, a client prospect is required to complete a Client Information Worksheet and Investor Profile Questionnaire. These documents disclose appropriate information to the advisor (contact information, assets, liabilities, etc. and investment risk level), which enables the advisor to provide advice on asset allocation.

Clients are advised that it remains their responsibility to promptly notify Sumnicht & Associates if there is ever any change in their financial situation or investment objectives for the purpose of reviewing/evaluating/revising Sumnicht & Associates' previous recommendations and/or services, or if they wish to impose any reasonable restrictions upon Sumnicht & Associates' management services, as may be mutually agreed upon.

In addition, Sumnicht & Associates, LLC provides investment advice relative to prospective investments in private placement limited partnerships offered in accordance with Regulation D (i.e., Rules Governing the Limited Offer and Sale of Securities without Registration under the Securities Act of 1933). Some of these investments will be with private placement limited partnerships sponsored by a company affiliated with Sumnicht & Associates.

For those clients that require an enhanced and/or specialized level of investment management services, Sumnicht & Associates may recommend that those clients authorize the active discretionary management of a portion of their assets by, and/or among, one or more Separate Account Manager[s], based upon the stated investment objectives of the client. In such event, Sumnicht & Associates shall continue to render services to the client relative to the monitoring and review of account performance, asset allocation, and client investment objectives.

Sumnicht & Associates also uses the iSectors[®] ETF (exchange traded funds)-based asset allocation models, a suite of proprietary investment strategies developed and managed by Sumnicht & Associates, LLC, but is now provided through Sumnicht & Associates' affiliated investment adviser, iSectors, LLC (reference Form ADV Part 2B brochure supplement for further information on iSectors, LLC and the relationship between iSectors, LLC and Sumnicht & Associates). One of the iSectors models, at times, may utilize leverage which is further disclosed in more detail in the iSectors, LLC ADV Part 2 brochure.

iSectors[®] charges 10, 20, or 30 bps, depending on the investment model. The iSectors model fee is based on the complexity of the model and is documented on the Envestnet Statement of Investment Selection (SIS) which the client receives upon making the investment. This iSectors fee is in addition to the advisory fee charged by Sumnicht & Associates, LLC.

The client retains absolute discretion over all such implementation decisions concerning the client's investment accounts and is free to accept or reject any recommendation from Sumnicht & Associates.

8. **Sumnicht and Associates' Participation in WRAP Fee Programs** – Sumnicht & Associates does not sponsor or act as portfolio manager of WRAP fee programs.
9. **Assets Under Management at Sumnicht & Associates at December 31, 2014 are as follows:**

Assets under Management	Amount in USD
Discretionary	\$195,000,000
Non-Discretionary	\$71,100,000
Total	\$266,100,000

10. **Trust Administration Services**

Sumnicht & Associates provides trust administration services to certain Trusts of which Vern Sumnicht is a trustee or a co-trustee. Fees for these services are based on each Trust's assets under management.

B. Fees and Compensation

1. **Description of Compensation to Sumnicht & Associates for Advisory Services**

Sumnicht & Associates designs investment portfolios and provides ongoing corresponding investment management services on a fee basis. In the event the client determines to implement investment recommendations through Sumnicht & Associates on a fee basis, Sumnicht & Associates shall charge a quarterly investment management fee based upon a percentage of the market value of the assets being managed by Sumnicht & Associates. The investment management fee charged shall vary depending upon the market value of assets under management, the asset category (Stocks/Equities, Bonds/Fixed Income, Alternative Assets, ETFs) and the specific type of investment management services to be rendered. The following are the fee schedules for investment management services for Traditional Assets, including ETF (Exchange Traded Fund) models and Alternative Assets.

- a. **Traditional Assets (Stocks/Equities, Bonds/Fixed Income) and ETF Models (iSectors)**
Investment Management Fee Schedule: Using the Step Convention, one-fourth of the

annual fee as a % of assets under management is billed quarterly. This billing is done in advance or arrears, depending upon the specific platform selected by the client.

Annual Fee on Assets under Management for Traditional Assets

Up to \$500,000	1.25% *
>= \$500,000 and < \$1 million	1.0%
>= \$1 million and < \$2.5 million	0.9%
>= \$2.5 million and < \$5.0 million	0.8%
>= \$5.0 million and < \$7.5 million	0.7%
>= \$7.5 million and < \$10 million	0.6%
>= \$10 million and < \$50 million	0.5%
>= \$50 million	Negotiable

The “Step Convention” is best communicated through example:

- i. A client with \$2 million investment assets in Traditional Assets and/or ETF Model would pay an annual fee of 0.9% times \$2 million or \$18,000;
- ii. A client with \$6 million in such investment assets would pay an annual fee of 0.7% times \$6 million or \$42,000.

*On an individual/case-by-case basis, Sumnicht & Associates may decide to accept accounts less than \$500,000 and in that case, the annual fee is 1.25% for such accounts.

Traditional Assets are stocks, bonds and securities such as Exchange-Traded Funds (ETFs).

- b. **Alternative Investment Assets (Private Equity Funds, Real Assets Funds, and Hedge Funds) Fee Schedule:** One-fourth of the annual fee as a % of assets under management is billed quarterly in arrears.

Annual Fee for Alternative Investment Assets

First Year Management Fee	3.0%
Annual (2 nd and future years) Management Fee	1.0%
Performance Allocation	10.0%

Generally, private equity investments are unique and, therefore, the structure and fees may be different across opportunities. Very large individual client investments may attract lower fees.

For example, a \$6 million client investment consisting of \$2 million in alternative assets and \$4 million in Traditional and/or ETF Model assets would be charged 1.0% on the \$2 million in alternative investments and 0.7% on \$4 million of Traditional and/or ETF Model assets totaling \$48,000 in Sumnicht & Associates investment management fees per year.

Alternative Investments include, but are not limited to, the wide variety of asset categories summarized in the following table:

Private Equity Funds	Real Assets Funds	Hedge Funds
<i>Venture Capital</i>	<i>Real Estate</i>	<i>Arbitrage</i>
Seed	Public or Private	Equity Market Neutral
Early Stage	Raw Land or Developed	Fixed Income Arbitrage
Mid Stage	<i>Oil & Gas</i>	Convertible Bond Arbitrage
Late Stage	Upstream	<i>Event Driven</i>
<i>Buy-Outs</i>	Downstream	Merger Arbitrage
Small to Middle Market	Transportation	Distressed
Larger Deals	Storage	Special Situations
<i>Mezzanine Debt</i>	<i>Timber</i>	<i>Directional/Tactical</i>
<i>Secondary Market</i>	Land	Long-Short Equity
	Commodity	Managed Futures
	<i>Metals</i>	Global Macro
	Precious	
	Non-precious	
	<i>Other Commodities</i>	

- c. **Fee schedule for 401(k) and other corporate retirement plans advised by Sunnicht & Associates, LLC** – Using the step convention, one-fourth of the annual fee as a % of assets under management, in the 401(k) or other retirement plan, is billed quarterly. This billing is done in advance or in arrears, depending upon the specific platform selected by the 401k or other retirement plan’s trustee. The assets managed on the Mid Atlantic Trust Company’s Platform, discussed previously are billed quarterly in arrears. The Sunnicht fee schedule for 401(k) or other retirement plans is as follows:

**Annual Fee on Retirement Plan Assets under Management
(i.e. 401(k), 403b)**

< \$500,000	0.625% *
>= \$500,000 and < \$1.0 million	0.50%
>= \$1 million and < \$2.5 million	0.45%
>= \$2.5 million and < \$5.0 million	0.40%
>= \$5.0 million and < \$7.5 million	0.35%
>= \$7.5 million and < \$10 million	0.30%
>= \$10 million and < \$50 million	0.25%
>= \$50 million	Negotiable

The “Step Convention” is best communicated through example; the total assets in a 401(k) or other retirement plan define the rate, from the above table, charged to the retirement plan for Sunnicht & Associates, LLC Advisory Services:

- i. with \$1.75 million participant investments in a 401(k) plan each Plan participant would pay an annual fee of 0.45% times their account’s balance, billed on a quarterly basis;

- ii. with \$7.0 million participant investments in a 401(k) plan each Plan participant would pay an annual fee of 0.35% times their account's balance, billed on a quarterly basis.

*On an individual/case-by-case basis, Sumnicht & Associates may decide to accept accounts less than \$500,000 and in that case, the annual fee is 0.625% for such accounts

iSectors[®], an affiliate of Sumnicht & Associates, licenses its models to Sumnicht for use in 401(k) and other retirement plans for which Sumnicht provides advisory services. For Plans that utilize the iSectors program, Sumnicht compensates iSectors directly out of a portion of the Advisory fee that Sumnicht receives for its services to the Plan(s) that utilize the program. As such, use of iSectors models in Plans advised by Sumnicht does not result in any additional charge to Plan participants.

- d. **Negotiability of Management Fees:** Sumnicht & Associates, in its sole discretion, may charge a lesser management fee and/or reduce or waive the account minimum based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, type of services required, account composition, negotiations with client, etc.).
 - e. **Costs of investing:** Sumnicht clients pay a bundled fee for: 1) Sumnicht investment advisory fees; 2) sponsor fees [which include iSectors' license fee and Envestnet's platform fee] and 3) brokerage and custodian's fee. These fees for Sumnicht and iSectors are remitted from Envestnet, or other platforms, to Sumnicht & Associates and iSectors.
2. **Timing of Billings for Advisor Remuneration:** Sumnicht & Associates' investment management fee for financial planning and advisory services shall be prorated and paid quarterly in advance or arrears, based upon the market value of the assets either (a) on the last day of the calendar quarter, (b) last day of the prior quarter or (c) an average of daily assets during the quarter, depending on the program. In the event of advanced billing, if the client terminates Sumnicht & Associates' investment management and/or financial planning and advisory services, the balance of Sumnicht & Associates' fee, if any, shall be prorated from the date of termination (asset transfer) and any unearned amount refunded to the client. The specifics for the billing of fees to clients are dependent upon the specific investment approach selected by the client.
3. **Client Agreements May Authorize Direct Debit of Fees Owed Sumnicht & Associates and/or Custodian** – Sumnicht & Associates' Investment Advisory Agreement, along with the custodial agreement, may authorize the custodian to debit the account for the amount of the custodial fees and the amount of Sumnicht & Associates' investment management fee, and to directly remit that investment management fee to Sumnicht & Associates in accordance with required regulatory procedures.
4. **WRAP Fees** – In certain programs discussed above, the fees are paid as a WRAP fee (i.e., "all-in fee"), which includes broker-dealer transaction commissions, custodian fees, money manager fees, platform fees, iSectors' model licensing fees and Sumnicht and Associates' investment management fees. Typically, these fees are bundled, although in certain circumstances, these fees may be unbundled, depending upon the investment program selected and the level of assets under management.

5. Investment Advisory Contract/Financial Planning Agreement/Private Placement Subscription Agreement and Other Important Business Terms

- a. Before Sumnicht & Associates will provide investment management services all clients will be required to enter into a formal Investment Advisory Agreement with Sumnicht & Associates, setting forth the terms and conditions under which Sumnicht & Associates shall manage the client's assets, and a separate Investor Agreement with SEI and/or Envestnet, or other appropriate platform.
- b. In addition, Envestnet Separately Managed Accounts (SMAs), Unified Managed Accounts (UMAs), Russell and iSectors investment accounts will require custodial account agreements. Sumnicht will typically use those custodians with electronic links built to Envestnet. These currently include, but are not limited to Fidelity and National Advisors Trust Company (NATCO). Custodial agreements differ by custodian and type of account (i.e., individual, joint, trust, IRA, SEP, corporate, etc.). Alternative Investments in the form of partnerships, or LLCs, are often not held at a corporate custodian unless the interests are part of an IRA, SEP or other ERISA qualified plan.
- c. Prior to engaging Sumnicht & Associates to provide financial planning, the client will generally be required to enter into a Financial Planning Agreement with Sumnicht & Associates, setting forth the terms and conditions of the engagement, describing the scope of services to be provided, and the fee agreement. In the event Sumnicht & Associates' financial planning services are terminated, the unearned balance of Sumnicht & Associates' fee, if any, shall be refunded to the client.
- d. Prior to a client's investment in an Alternative Investment, the client will be required to enter into a Sumnicht & Associates Alternative Investment Contract and, as well, the investment-specific Private Placement Subscription Agreement, which is to be read along with the Private Placement Memorandum.
- e. A copy of Sumnicht & Associates' Form ADV Part 2 brochure is provided to each client prior to, or along with, the execution of an Investment Advisory Agreement or Financial Planning Agreement. Any client who has not received a copy of this disclosure statement at least forty-eight (48) hours prior to signing an agreement with Sumnicht & Associates has five (5) business days subsequent to signing the agreement to terminate Sumnicht & Associates' services without penalty.
- f. Neither Sumnicht & Associates nor the client may assign the agreement without the prior written consent of the other party. Transactions that do not result in a change of actual control or management of Sumnicht & Associates shall not be considered an assignment.
- g. The Investment Advisory Agreement and the Financial Planning Agreement between Sumnicht & Associates and the client will continue in effect unless terminated by either party by written notice in accordance with the terms of the agreement.

6. **Alternative Fee Arrangements for Special Projects** - In special circumstances, pre-agreed with the client, Sumnicht & Associates may provide investment management, financial planning and advisory services and/or other consultancy with its remuneration paid on an hourly basis. The hourly rate ranges from \$75 to \$650 per hour based upon the staff mix required for the project, the complexity of the financial matters at issue, and the added value provided by the team.

7. Other Important Business Terms

- a. In performing its services, Sumnicht & Associates shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely upon such information.
- b. If requested by the client, Sumnicht & Associates may introduce the services of other professionals, such as tax accountants, estate planning attorneys, and family counselors, for implementation purposes. The client is under no obligation to engage the services of any introduced professional.

C. Performance-Based Fees and Side-By-Side Management

1. **Performance-Based Fees** - Sumnicht clients invested in certain Alternative Investments will pay a performance based fee of 10% of profits and this will be detailed in the Private Placement Memorandum of the Alternative Investment Agreement, as well as Appendix B of the Sumnicht and Associates Alternative Investment Contract. This profit allocation is generally related to those client investments in SA Alternative Opportunity Funds, a series LLC whose managing partner is Sumnicht Alternative Management, LLC, an affiliate of Sumnicht & Associates.

Section B of this document identifies fees for Traditional and Alternative Investments for Sumnicht & Associates' clients. Alternative Investment fees, along with the performance allocation, are generally higher than the fees for Traditional Assets, and this is because the Firm must maintain and develop substantial resources in managing such investment opportunities. Clients should be aware of this difference in the Sumnicht fees associated with Alternative Investments and fully consider this fact when evaluating their participation in such investment opportunities.

2. **Side-by-Side Management** – Sumnicht investors in iSectors ETF models pay a bundled fee to Envestnet which includes the following: (1) Sumnicht's investment advisory fee, (2) sponsor fee [which includes iSectors' license fee and Envestnet's platform fee] and (3) brokerage and custodian's fee. These fees for Sumnicht and iSectors are remitted from Envestnet to Sumnicht & Associates and iSectors. Envestnet markets iSectors Models, through their platform, to other investment advisors, one of whom is Sumnicht & Associates. iSectors® and Sumnicht & Associates are affiliated companies.

D. Types of Clients

1. **Sumnicht & Associates' clients** consist of individuals (both high net-worth and non high net-worth), families and institutions/foundations, including pension and profit sharing plans, trusts, estates and charitable organizations.
 - a. In addition, Sumnicht & Associates provides investment advice & investment consulting services to funds of hedge funds (closed in autumn 2008 and further discussed in this document), 401K plans, and private placement investment partnerships.
2. **Minimum Investment Management Account Size:** Sumnicht & Associates generally requires a \$500,000 account minimum in order for Sumnicht & Associates to provide investment management services.

E. Methods of Analysis, Investment Strategies and Risk of Loss

Sumnicht & Associates provides asset allocation services to its clients that desire its advisory services.

Sumnicht & Associates does not guarantee: (1) the future performance of the client's investments or any specific performance, the success of any investment recommendation or strategy that Sumnicht & Associates may recommend, or the success of Sumnicht & Associates' management of the client's investments, (2) that the account's performance will be positive or achieve any investment, tax, or accounting objective of the client, or track or outperform any designated benchmark.

Past performance does not guarantee or predict Sumnicht & Associates' or a Managers' recommendations or investment strategy's future performance. Clients must accept and understand that investment recommendations made by the advisor for an investment account or other financial planning advice is subject to various market, interest rate, liquidity, marketability, currency, economic, political, legal, business and/or other risks. In addition, these known and unknown risks may adversely affect investment results and/or the ability to achieve financial objectives. Therefore, investment and other financial planning decisions will not always be profitable.

F. Disciplinary Information

Nothing to disclose.

G. Other Financial Industry Activities and Affiliations

iSectors[®], LLC was originally developed by Vernon C. Sumnicht as a department of Sumnicht & Associates, LLC in 2002. In August, 2008, iSectors, LLC registered as an investment adviser with the SEC. iSectors is an affiliated company of Sumnicht & Associates. iSectors and Sumnicht & Associates share certain back-office and administrative resources, as well as certain capital resources and personnel.

The Firm's principal, Vernon Sumnicht, holds an insurance license, and is licensed to do insurance business in the state of Wisconsin and Colorado. In such capacity, Mr. Sumnicht may recommend the purchase of certain life insurance products where he may be eligible to (and may) receive a share of insurance commission revenue. These activities could be construed to represent a conflict of interest in that they arguably could provide Mr. Sumnicht an incentive to recommend the purchase of insurance products for a client based on his ability to receive compensation from such a purchase, rather than based on a client's needs. We seek to address this conflict by (a) requiring Mr. Sumnicht to ensure that any such transaction will be on commercially reasonable terms that are generally consistent with industry standards, and (b) neither requiring nor expecting that a client will purchase any such insurance product from any party that would result in any form of additional compensation to be payable to Mr. Sumnicht. In addition, Mr. Sumnicht must maintain compliance with applicable rules and regulations that govern the sale of such products. Clients have the option to purchase insurance products that are recommended through other brokers or agents that are not affiliated with the firm.

Mr. Sumnicht is also an insurance agent with Greek Catholic Union of the U.S.A. (GCU); as such, he will receive insurance commissions.

For more information concerning Mr. Sumnicht's activities in this regard, see the Part 2B Brochure Supplement presented for him by the firm.

H. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

1. **Sumnicht & Associates Code of Ethics** - As required pursuant to Rule 204A-1 under the Investment Advisers Act 1940, as amended (the "Advisers Act"), Sumnicht & Associates adopted a Code of Ethics ("Code of Ethics"), which articulates basic principles of business ethics and standards of conduct. Each Access Person is provided a copy of the Code of Ethics and any amendments, and is required to provide a written acknowledgment confirming that he or she has read, understands and agrees to comply with the Code of Ethics. Sumnicht & Associates defines Access Persons as all officers, directors, owners, employees (who are privy to any client or investment information), and the Firm's registered investment adviser representatives. This Code of Ethics is based upon fundamental principles of open communication, integrity, honesty, confidentiality, and trust, a copy of which is available upon request.
2. **Personal Securities Transactions and Trading Policy** - In connection with the Code of Ethics, Sumnicht & Associates adopted a Personal Securities Trading Policy, established to satisfy the applicable requirements of Section 206 and Rules 204A-1 and 204-2 under the Advisers Act. Sumnicht & Associates' policy is based on the principle that its directors, officers, owners, employees and registered representatives owe a fiduciary duty to clients to conduct personal securities transactions in a manner that does not interfere with client transactions or otherwise take unfair advantage of their relationship with the clients. The policy includes prohibitions on trading based on material, non-public or confidential information, and requires that mutual funds transactions comply with the anti-market timing policy or policy on frequent or excessive trading, if any, of the relevant mutual funds. The policy also includes provisions requiring Access Persons, as defined under the Advisers Act, to pre-clear participation in public offerings and limited offerings, and to submit annual securities holdings reports and quarterly securities transaction reports with respect to their personal securities investments.
3. **Conflicts of Interest** - Sumnicht & Associates requires its employees to refrain from engaging in any activity or having a personal interest that presents a conflict of interest. Sumnicht & Associates' employees, as well as all Access Persons, are required to disclose any transactions or relationships that reasonably could be expected to give rise to a conflict of interest.
4. **Confidentiality** - The Code of Ethics includes policies and procedures for maintaining the confidentiality of confidential information relating, among other things, to Sumnicht & Associates' clients. Employees, as well as Access Persons, are prohibited from disclosing any confidential information within the company (other than on a "need-to-know basis") or outside the company in the absence of appropriate confidentiality arrangements, or to regulators or legal authorities who have a legal right to receive such information.
5. **Gifts and Gratuities** - The Code of Ethics includes a limitation on the giving and receiving of gifts and gratuities by employees to items of small value. Items of more than small value are to be returned immediately and reported to the Chief Compliance Officer of Sumnicht & Associates. Similarly, business entertainment, provided or accepted, should be infrequent, modest and intended to serve legitimate business goals. Bribes and kickbacks are strictly prohibited.
6. **Compliance with Code of Ethics** - Sumnicht & Associates' Chief Compliance Officer is primarily responsible for implementing and administering the Code of Ethics. Employees, as

well as Access Persons, are required to report any violations of the Code of Ethics or applicable laws. Failure to comply with the Code of Ethics may result in disciplinary action, up to and including termination.

7. **Other Provisions** - The Code of Ethics includes other provisions regarding insider trading, communications with media, honest and ethical conduct and fair dealing, the protection of corporate assets and corporate business opportunities, and the accuracy of the books and records and public records.

Sumnicht & Associates will provide a copy of the Code of Ethics to any client or prospective client upon request.

I. Brokerage Practices

Execution of Brokerage Transactions (when applicable). If requested, Sumnicht & Associates will arrange for the execution of securities brokerage transactions for the account through broker-dealers that Sumnicht & Associates reasonably believes will provide “best execution.” In seeking best execution, the determinative factor is not the lowest possible commission cost, but whether the transaction represents the best qualitative execution. Accordingly, although Sumnicht & Associates will seek competitive commission rates, it may not necessarily obtain the lowest possible commission rates for account transactions.

Transactions for each client account generally will be accomplished independently, unless Sumnicht & Associates decides to purchase or sell the same securities for several clients at approximately the same time. Sumnicht & Associates may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Sumnicht & Associates’ clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among Sumnicht & Associates’ clients in proportion to the purchase and sale orders placed for each client account on any given day. To the extent that Sumnicht & Associates determines to aggregate client orders for the purchase or sale of securities, including securities in which Sumnicht & Associates’ principal(s) and/or associated person(s) may invest, Sumnicht & Associates shall generally do so in accordance with the parameters set forth in the SEC No-Action Letter, SMC Capital, Inc. Sumnicht & Associates shall not receive any additional compensation or remuneration as a result of the aggregation.

The client may direct Sumnicht & Associates to use a particular broker-dealer (subject to Sumnicht & Associates’ right to decline and/or terminate the engagement) to execute some or all transactions for the client’s account. In such event, the client will negotiate terms and arrangements for the account with that broker-dealer, and Sumnicht & Associates will not seek better execution services or prices from other broker-dealers or be able to “batch” the client’s transactions for execution through other broker-dealers with orders for other accounts managed by Sumnicht & Associates. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than might otherwise be the case.

Initial Public Offering (IPO) Policy - On occasion, Sumnicht & Associates, through its clearing/custodial firm relationships, may have limited access to IPO shares. Except with respect to the limited exception noted below, Sumnicht & Associates does not purchase, and/or recommend for purchase, IPOs for its individual client accounts. The exception to the above policy is for those individual clients of Sumnicht & Associates who, on a completely unsolicited basis, contact Sumnicht

& Associates to request that Sumnicht & Associates purchase a specific IPO for the client's account, to the extent same has been made available to Sumnicht & Associates. In the event of any such unsolicited request(s), Sumnicht & Associates, after first determining that the client(s) is qualified for such specific IPO (i.e., suitable for the client(s) relative to the client's(s') investment objective(s), financial situation(s) and current asset allocation(s)), may (to the extent possible under the circumstances) purchase such IPO on a pro-rata basis with other unsolicited client requests. To the extent possible and applicable under the circumstances, Sumnicht & Associates will allocate unsolicited individual client IPO share purchases among qualified individual clients on a rotational basis or some other fair and equitable basis. To the extent possible and applicable under the circumstances, Sumnicht & Associates will use reasonable efforts to allocate available IPO shares on a fair and equitable basis in accordance with the terms and conditions of the aforementioned policy.

J. Review of Accounts

On at least an annual basis each client's investment portfolio is reviewed by their Sumnicht & Associates adviser. Clients will agree with their Sumnicht & Associates adviser the frequency during a calendar year for portfolio reviews and meetings.

K. Client Referrals and Other Compensation

If a client is introduced to Sumnicht & Associates by either an unaffiliated or an affiliated solicitor, Sumnicht & Associates may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Sumnicht & Associates' investment management fee and shall not result in any additional charge to the client. If the client is introduced to Sumnicht & Associates by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of Sumnicht & Associates' written disclosure statement as same is set forth on the Form ADV Part 2 brochure, together with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between Sumnicht & Associates and the solicitor, including the compensation to be received by the solicitor from Sumnicht & Associates. Any affiliated solicitor of Sumnicht & Associates shall disclose the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of Sumnicht & Associates' written disclosure statement as same is set forth on the Form ADV Part 2 brochure.

L. Custody

1. **Custodians/Broker Dealer** – SEI Trust Company, a subsidiary of SEI, serves as custodian for each SEI account. Fidelity serves as custodian for each Russell account. National Advisors Trust (NATC), Fidelity, Mid-Atlantic Trust Company, or Schwab serve as custodian for Envestnet and iSectors accounts. These custodians provide each client with reporting services, including monthly statements and year-end tax reports. Alternative Investments, which are pooled investment vehicles, are not generally custodied at a qualified custodian.
2. **Selection of Custodians/Broker Dealers** – Some factors which Sumnicht & Associates may consider in introducing a particular broker-dealer/custodian to clients include financial strength, reputation, execution, pricing, and service. The brokerage commissions and/or transaction fees charged by the designated broker-dealer/custodian are in addition to Sumnicht & Associates' investment management fee. Clients are able to choose their own custodian/broker-dealer and

when they exercise this ability, they may incur the direct and incremental costs associated with their selected service provider. Such costs may be higher than those custodians/broker-dealers introduced by Sumnicht & Associates. To the extent that the client directs Sumnicht & Associates to utilize a broker-dealer or custodian for the client's account, Sumnicht & Associates will not seek better execution services or prices from other broker-dealers.

3. **Sumnicht & Associates' Financial Independence from Custodians** – Sumnicht & Associates' clients utilize a number of independent custodians including, but not limited to, Fidelity, SEI, Millenium and TD Ameritrade. Sumnicht & Associates does not receive any portion of the fees charged by any custodian or broker-dealer introduced by Sumnicht & Associates.
4. **Sumnicht & Associations is not Independent from Custodian National Advisors Trust Company** - Another custodian which Sumnicht & Associates introduces its clients to is National Advisors Trust (NATC), a company in which Vernon Sumnicht owns an equity interest (<1%) and, therefore, Sumnicht & Associates is not independent of this custodian. Neither Sumnicht & Associates, Vernon Sumnicht nor any affiliated company/person receives any portion of the fees charged by National Advisors Trust.

M. Investment Discretion

Investment discretion of Sumnicht & Associates is discussed in Section B of this document.

- N. Voting Client Securities** - Sumnicht & Associates does not vote client proxies. Therefore, although Sumnicht & Associates may provide investment advisory services relative to client investment assets, Sumnicht & Associates' clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Sumnicht & Associates and/or the client shall correspondingly instruct each custodian of the assets to forward to the client copies or client's chosen representative of all proxies and shareholder communications relating to the client's investment assets.

O. Financial Information

No disclosure necessary.