

Form ADV Part 2A  
Investment Advisor Brochure



***Cover Page***

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Date of Brochure	March 27, 2020

This Form ADV Part 2A (Investment Advisor Brochure) gives information about the investment advisor and its business for the use of clients and prospective clients. If you have any questions about the contents of this brochure, please contact us using one of the methods listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration is mandatory for all persons meeting the definition of investment advisor and does not imply a certain level of skill or training.

Additional information about our firm is available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

***Material Changes***

The purpose of this section is to discuss only material changes since the last annual update of Summit Investment Advisor Brochure.

**Summary of Material Changes:**

Since our last annual update filed on 03/22/2019, the following changes have been made:

- Neil Elmouchi is now the CCO of the firm.

**Delivery:**

Within 120 days of our fiscal year end we will deliver our annual Summary of Material Changes if there have been material changes since the last annual updating amendment.

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## **Advisory Business**

### **Advisory Firm**

Summit Financial Consultants (“Summit”) has been providing investment advisory services since 1998. The principal owners of the business are Neil Elmouchi and Kimberly Lau.

### **Advisory Services**

As of December 31, 2019, Summit had \$196,830,091 of assets under management on a discretionary basis, and \$1,308,290 of assets under management on a non-discretionary basis.

### **Asset Management**

Summit provides investment management services called “Asset Management.” This service may be offered on a discretionary basis or non-discretionary as further described in the Investment Discretion section.

After a fact finding consultation Summit determines the client's financial situation and investment objectives, and gives the client the opportunity to impose reasonable restrictions on the management of the account. Summit considers the client time frame and risk tolerances and develops an initial asset allocation strategy.

Summit creates a portfolio, which may include, but not limited to a variety of individual stocks, bonds, exchange traded funds (“ETFs”), mutual funds, closed-end funds, certificates of deposit, annuities, business development companies, options, fee-only annuities, real estate investment trusts and other public and private securities or investments. Summit may also recommend the services of a Third Party Asset Manager (“TPAM”) as further explained in the separate section heading below.

Clients have the ability to leave standing instructions with the IA Rep to refrain from investing in particular securities or types of securities, or invest in limited amounts of securities. Clients may request that Summit not sell certain pre-existing holdings that may be transferred into the account, or clients may request that Summit buy certain securities that were not recommended by Summit. The client is responsible for monitoring these restricted securities, as Summit will not monitor those securities.

Once the appropriate portfolio has been determined, Summit monitors the investments and rebalances the portfolio as may be necessary. Summit and/or the client may change the asset allocation based on changes in the client situation or economic/financial market conditions. Quarterly, Summit will notify the client in writing to contact the IA Rep if there have been any changes in the client's financial situation or investment objectives, or to impose or modify account restrictions. The IA Rep will contact or attempt to contact the client annually on these matters. It is the client's responsibility to notify the IA Rep at any time there are changes. Clients may call in at any time during normal business hours to discuss directly with the IA Rep about the client's account, financial situation, or investment needs. Clients will receive from the custodian/brokerage firm timely confirmations and at least quarterly statements containing a description of all transactions and all account activity. The client will retain rights of ownership of all securities and funds in the account to the same extent as if the client held the securities and funds outside the program.

## **Financial Planning**

Summit may provide financial planning services. Financial planning typically includes an evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans in addition to risk profile and return objectives. Comprehensive financial planning services generally include, but are not limited to, budgeting and bill paying advice, divorce planning, money worries, retirement planning, credit counseling, insurance planning, inheritances, college funding, estate planning and other planning services as needed. We start the comprehensive financial planning process by taking a financial inventory. This generally involves gathering enough data to perform an analysis of client's current financial status, projected tax bracket, future goals, return objectives and attitudes towards risk. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or investment advisor. Implementation of financial plan recommendations is entirely at the client's discretion.

## **Consulting**

For clients not needing a comprehensive financial plan, Summit is available, for a fee, to provide consulting on investments and other financial matters.

## **Pension Consulting**

Summit provides pension consulting services to employer-sponsored ERISA plans on a one-time or ongoing basis. Pension consulting services may consist of assisting employer plan sponsors in establishing, monitoring and reviewing their company's participant-directed retirement plan. As the needs of the plan sponsor dictate, areas of advising may include one or more of the following items: investment options, plan structure and participant education.

In the capacity as a consultant, Summit may participate in quarterly meetings and make recommendations to the management committee. In the capacity as a consultant, Summit does not provide asset management of the account and does not place the investment trades, which is up to the sponsor to implement all trades. Summit is not and does not act as a Third Party Administrator ("TPA") or provide tax consulting advice.

All pension consulting services shall be in compliance with the applicable state law(s) regulating pension consulting services. This applies to client accounts that are pension or other employee benefit plans ("Plan") governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). If the client accounts are part of a Plan, and we accept appointments to provide our services to such accounts, we acknowledge that we are a fiduciary within the meaning of Section 3(21) of ERISA (but only with respect to the provision of services described in the Pension Consulting Agreement).

## **Referrals to Third Party Asset Managers**

In the course of providing advisory services under the Asset Management program, Summit may refer the management of the portfolio to a Third Party Asset Manager ("TPAM"). When such TPAM services are offered under Summit's Asset Management program, Summit retains certain advisory responsibilities, while the TPAM retains other advisory responsibilities. Under some of these TPAM programs Summit may have the authority to hire and fire sub-advisors in the program.

The client is not obligated to use the service of such TPAM. The client will be provided with information on the TPAM prior to the client engaging those services. See section on Client Referrals & Other Compensation for more disclosure.

## **Seminars**

Summit may provide financial seminars to the public. These are complimentary and without obligation, however we do have the right to charge depending upon the type of seminar.

## **Variable Annuities, Directly-Held Investments and 401(k) management**

Summit may on a discretionary or non-discretionary basis be engaged for ongoing reallocation of subaccounts within the client's variable annuity, variable universal life, direct investment and 401(k) plans pursuant to investment objectives chosen by the client.

## **Fees and Compensation**

**Financial Planning** fees may be at an hourly or fixed fee rate.

The hourly rate for Summit's financial advisors ("IA Reps") is up to \$500. Para-planners may bill at a lower hourly rate.

Fixed fees range from \$500 to \$20,000, depending on the complexity of a client's financial situation. Half of the estimated hourly rate or half of the fixed fee is due and payable upon signing the Advisory Agreement and the balance upon delivery of the financial plan.

**Consulting** fees are computed at an hourly rate. The hourly rate for Summit's financial advisors ("IA Reps") is up to \$500. Para-planners may bill at a lower hourly rate.

Half of the estimated fee is due and payable upon signing the Advisory Agreement and the balance upon delivery of the consulting services. Delivery of financial plans will occur within 6 months of payment date.

**Asset Management** fees are computed at an annualized percentage of assets under management. The fee is negotiable at the discretion of Summit based on complexity. In no event will the maximum annual asset management fee paid to Summit be greater than 2.0%

Asset Management fees are computed at an annualized percentage of assets under management. The Asset Management fee will be payable quarterly in advance. The first payment is due and payable upon execution of the Agreement, and will be assessed pro-rata in the event the Agreement is executed other than the first day of the new calendar quarter. Subsequent payments are due and will be assessed on the first day of each calendar quarter based on the value of the portfolio as of the last day of the previous calendar quarter. In no event will the asset management fee received by Summit exceed 2.00% per year per managed account. Management fees for deposits of \$1,000 or more during a quarter may be calculated on a pro-rata basis.

For Asset Management, payment of fees may be paid direct by the client, or client may authorize the custodian holding client funds and securities to deduct Summit advisory fees direct from the client account in accordance with statements prepared and submitted to the custodian by Summit. The custodian will provide periodic account statements to the client. Such statements will reflect all fee withdrawals by Summit. It is the client's responsibility to verify the accuracy of the fee calculation. The custodian will not determine whether the fee is properly calculated.

Some TPAM programs will bundle Summit's asset management fee and the TPAM's fee in one combined billable fee. If this type of program is utilized, the fee will be charged by the TPAM according to the TPAM contract. Summit will receive their portion of the bundled fee directly from the TPAM.

**Pension Consulting** fees are computed at an annualized percentage of assets under management. The maximum annual fee is 2.0%. The actual fee assessed is negotiable based on the scope and complexity of our engagement and will be specified in the Advisory Agreement.

Pension Consulting fees are computed at an annualized percentage of assets under management. The Pension Consulting fee will be payable quarterly in advance. The first payment is due and payable upon execution of the Agreement, and will be assessed pro-rata in the event the Agreement is executed other than the first day of the new calendar quarter. Subsequent payments are due and will be assessed on the first day of each calendar quarter based on the value of the portfolio as of the last day of the previous calendar quarter. In no event will an annual pension consulting fee exceed 2.00% per year per managed account. Deposits and withdrawals to an account during a quarter may be calculated on a pro-rata basis.

Pension consulting clients can elect to pay a flat fee for the services. The flat fee charged is determined by the complexity and scope of the project. Flat fees are charged 25% of the total annual fee quarterly in advance.

**Managed Assets Program through Triad Advisors, Inc.** Fees will be automatically deducted from your managed account. As part of this process, you understand and acknowledge the following:

Your independent custodian sends statements at least quarterly to you showing all disbursements for your account, including the amount of the advisory fees paid to us; You provide authorization permitting us to be directly paid by these terms; The custodian sends out a pre-notification of the fees to be debited, the month prior through your statement. It is the client's responsibility to verify the calculation of advisory fees deducted from the account.

For Asset Management, payment of fees may be paid direct by the client, or client may authorize the custodian holding client funds and securities to deduct Summit advisory fees direct from the client account in accordance with statements prepared and submitted to the custodian by Summit.

### **Triad Apex Account**

The Apex Account is a non-"wrap fee" account. The management fees to be paid under the Apex Account are described in the Advisory Agreement. A portion of the management fees will be paid to Triad as transaction related service fees, which will be paid to the custodian, National Financial Services (NFS) for its services. The Apex Account has no minimum account size. Management fees are negotiable. The portion of the management fee attributable to compensation to the investment adviser representative varies, but will generally be based on a percentage of the account and will not exceed 2.50% of the account on an annual basis. The service fees are calculated by multiplying the Account Value to the corresponding fee percentage shown below. Each account will be assessed a fee equal to the greater of the management fee or a minimum \$110 service fee.

### **Variable Annuities, Directly-Held Investments and 401(k) management**

Clients will not be charged on products sold by our advisory representatives in their separate capacities as registered representatives of Triad. If assets were not purchased from representative, we may charge

a fee up to 1.0%. This annual fee shall be negotiable in certain cases and be pro-rated and paid in advance on a quarterly basis on the balance of the assets on the last day of the previous quarter. No increase in the annual fee shall be effective without prior written notification to the client of at least one quarter.

### **General Fee Disclosures for Asset Management and Pension Consulting**

These fees are for advisory services only and do not include any transaction fees or commissions, which may be charged separately by the broker/dealer custodial firm. See the section heading Brokerage Practices for more information.

### **General Fee Disclosures for All Advisory Services**

Fees are negotiable at the discretion of Summit as noted above.

IA Reps of our firm are also Registered Representatives of a broker/dealer, and as such may receive commission-based compensation for the sale of securities and other investment products. Summit and its IA Reps do not double-dip, and will either receive fee-based compensation or commissions on specified assets. Mutual funds recommended under advisory services will be “no-load” or “load-waived.” Clients are not obligated to purchase investment products recommended, or to purchase through our firm or affiliated firms.

Fees are not collected for services to be performed more than six months in advance.

In addition to fees paid for advisory services with respect to clients' investments in mutual funds and ETFs, clients pay additional fees on the investment because the mutual funds and ETFs also pay advisory and/or management fees to an investment advisor.

### **Agreement Terminations, Refunds and Other Provisions**

**Asset Management** services will continue until either party terminates the Advisory Agreement on 10 business days written notice. If termination occurs prior to the end of a calendar quarter, a pro-rata refund of unearned fees will be made to the client.

**Pension Consulting** services will continue until either party terminates the Advisory Agreement on 10 business days written notice, unless otherwise stated in the executed Pension Agreement. If termination occurs prior to the end of a calendar quarter, the client will be billed for fees due on a pro-rata basis.

**Financial Planning** or **Consultation** services may be terminated by the client at any time and a refund of the unearned fees will be made, or client will be billed, based on time and effort expended before termination. The Agreement terminates upon delivery of the plan or services. At this time no refunds will be made and any remaining balance will be due and payable.

**Margin** - Advisor does not generally recommend margin as an investment strategy. However, margin may be used from time to time based on client request or as may be suggested by Summit based on individual needs. When margin is used, the advisory fee is assessed against the gross value of the assets, since Summit performs advisory services based on the gross value. Therefore the client would be paying both brokerage/margin fees and advisory fees on the margin balance. The interest rate charged on the

margin balance is paid directly to the custodian and no portion of that interest is paid to Summit. In the context of the compensation arrangement, the use of margin as a strategy could create an incentive for Summit Financial Consultants, Inc. to take undue risks, to speculate, or to over-trade.

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

Summit does not charge performance-based fees.

### **Types of Clients and Account Minimums**

Summit provides advisory services to individuals, pension and profit sharing plans and other ERISA accounts, trusts, charitable organizations, estates, and business entities.

For Asset Management, the minimum account fee is \$1,000 per year, subject to a maximum annualized charge of 2% per year which may be waived or modified at Summit's discretion. Household accounts may be combined for the minimum fee requirement.

When Summit uses a TPAM platform, portfolio size minimums will apply as disclosed in the TPAM disclosure brochure.

There is no minimum for clients retaining financial planning or consulting services.

### **Methods of Analysis, Investment Strategies, and Risk of Loss**

Summit uses asset allocation strategies for Financial Planning recommendations and Asset Management.

By its nature, financial planning looks to the long-term. After the client's short-term cash needs and emergency fund is evaluated, investment and insurance strategies are designed to help the client achieve his or her financial goals. Casualty insurance (e.g. homeowner's, auto, liability, etc.) is reviewed only at the client's request, and would be provided by an outside casualty firm.

There are always inherent risk in any investment which is why it is important to understand each investment, even though not anticipated, may incur significant and unexpected loss. There is no guarantee that the investment strategy selected for the client will result in the client's goals being met, nor is there any guarantee of profit or protection from loss. For those investments sold by prospectus, clients should read the prospectus in full.

#### **Risks for All Forms of Analysis**

Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. There is always a risk that our analysis may be compromised by inaccurate or misleading information.

Summit is disclosing some of the various risks and opportunities that may affect our investment strategy or for types of securities used. The following is a list of most, but not necessarily all, types of investments that may be considered as part of our recommendations:



- Stock represents ownership in a company. If the company prospers and grows, the value of the stock should increase. Even if a company is profitable, the stock prices are subject to “market risk” which is attributable to investor attitudes. Stock ownership in more established companies is more conservative, while younger companies provide the most risk and reward opportunities.
- American Depositary Receipt (“ADR”) represents an interest in the shares of a non-U.S. company that have been deposited with a U.S. bank. ADRs trade in U.S. dollars and clear through U.S. settlement systems, allowing ADR holders to avoid having to transact in a foreign currency. An ADR may represent the underlying shares on a one-for-one basis, or may represent a fraction of a share or multiple shares. The use of a ratio allows ADRs to be priced at an amount more typical of U.S. market share prices. ADRs may be “sponsored” or “unsponsored.” Sponsored ADRs are those in which the non-U.S. company enters into an agreement directly with the U.S. depository bank to arrange for recordkeeping, forwarding of shareholder communications, payment of dividends, and other services. An unsponsored ADR is set up without the cooperation of the non-U.S. company and may be initiated by a broker-dealer wishing to establish a U.S. trading market. An ADR, however, may not be established unless the non-U.S. company is either subject to the reporting requirements under the Securities Exchange Act of 1934 or is exempt under the Act.
- Debt Securities (corporate or municipal bonds) are promissory notes that pay interest and the return of principal at the end of a specified term. Credit risk is the chance the issuer will fail to pay the interest payments on the security or to pay the principal at maturity. Interest rate risk is that the market value of the bonds will go down when interest rates go up. Prepayment risk is the chance that a bond will be paid off early. For example, if interest rates fall, a bond issuer may decide to pay off its debt. When this happens, the investor may not be able to reinvest the proceeds in an investment with as high a return or yield.
- High Yield Bonds have a lower credit rating than investment-grade bonds. Because of the higher risk of default, these bonds pay a higher yield than investment grade bonds.
- Mutual Fund is an investment pool, which may include money market instruments, stocks, bonds, or other investment vehicles. Professional money managers research, select, and monitor the performance of the securities the fund purchases. It is easier to achieve diversification through ownership of mutual funds rather than through ownership of individual stocks or bonds. Even with no-load or load-waived funds, there are mutual fund expenses paid to the fund company. Investors may have to pay taxes on capital gains distribution received by the fund, but not distributed to the investor. Mutual funds redeem shares at net asset value (“NAV”) at the end of the trading day.
- Unit Investment Trust (“UIT”) is similar to a mutual fund, but once the UIT selects the securities it will hold them. The portfolio is not actively managed and does not sell securities in response to ordinary market fluctuations. There may be special risks if a portfolio is concentrated within a specific sector of the market.
- Index Fund is an investment pool (e.g., mutual fund or ETF invested in stocks, bonds, or other investment vehicles) that aims to replicate the movements of an index of a specific financial market. The lack of active management generally gives the advantage of lower fees and lower

taxes in taxable accounts. Of course there are fees, which reduce the return to the investor relative to the index. It is usually impossible to precisely mirror the index, as the models for sampling and mirroring, by their nature, cannot be 100% accurate. The difference between the index performance and the fund performance is known as the “tracking error.” By design, an index fund seeks to match rather than outperform the target index. Therefore, a good index fund with low tracking error will not generally outperform the index, but rather produces a rate of return similar to the index minus fund costs. An index fund does not have to follow a well-known index. There are thousands of index funds, leaving advisors to determine which fund best matches the client’s risk capacity and other investment objectives.

- Exchange Traded Fund (“ETF”) holds securities to match the price performance of a certain market index or commodity price. ETFs can track stock indexes and sectors, bonds and precious metals. ETFs are subject to the same market risks as the index or sector they are designed to track. ETFs can be bought and sold throughout the day like stocks. ETFs may be an index fund or a fully transparent actively managed fund. Certain ETFs are relatively easy to understand, while others may have unusual or complex strategies. For example, “leveraged ETFs” seek to achieve performance equal to a multiple of an index after fees and expenses. These ETFs seek to achieve their investment objective on a daily basis only, potentially making them unsuitable for long-term investors. “Inverse ETFs” use various derivatives to prove from the decline in value of an underlying index or basket of assets.
- Exchange Traded Notes (“ETN”) are a type of debt security that trade on exchanges and promise a return linked to a market index or other benchmark. However, unlike ETFs, ETNs do not buy or hold assets to replicate or approximate the performance of the underlying index. Some of the indexes and investment strategies used by ETNs can be quite sophisticated and may not have much performance history. The return on an ETN generally depends on price changes if the ETN is sold prior to maturity (as with stocks or ETFs) – or on the payment, if any, of a distribution if the ETN is held to maturity (as with some other structured products). An ETN's closing indicative value is computed by the issuer and is distinct from an ETN's market price, which is the price at which an ETN trades in the secondary market. An ETN's market price can deviate, sometimes significantly, from its indicative value. ETNs are complex products and can carry a number of risks including: credit risk, market risk, liquidity risk, price-tracking risk, holding-period risk, and call or early redemption risk.
- Alternative Investments in mutual funds or ETFs: There is no uniform definition of the term “alternative investments.” As may be utilized by Summit, alternative or “alt” mutual funds or ETFs are publicly traded funds that use investment strategies that differ from the buy-and-hold strategy typical in funds. Compared to a traditional fund, an alternative fund typically holds more non-traditional investments and employs more complex trading strategies. Alt funds might invest in assets such as global real estate, commodities, natural resources, leveraged loans, foreign currency, managed futures, derivatives, swap agreements, start-up companies and unlisted securities that offer exposure beyond traditional stocks, bonds and cash. Alt fund strategies might include market neutral (long/short positions) and arbitrage strategies. Alternative mutual funds have unique characteristics and risks. Investors should read the prospectus for an understanding of a particular fund’s strategy and risk.

- Real Estate Investment Trusts (“REITs”) are a form of security that trades like a stock on major markets, yet participates in real estate projects. Most REITs focus on particular types of commercial development, such as apartments or office buildings. This concentration leaves them vulnerable to a downturn in this particular sector of real estate. Also, a high concentration of development in one community or geographic region may leave it vulnerable to a downturn in that area’s economy. Equity REITs own and manage income-producing real estate properties. Mortgage REITs purchase or originate mortgages on properties, not the properties themselves. Some REITs use leverage, which has potential for higher rewards, but comes with greater risks. Some REITs are private placements and thus are not traded on the stock exchange. These carry liquidity risk.
- Non-Traded REITs: These are publicly registered products that are not traded on a national securities exchange. For this reason, there is a very limited or no secondary market for shares. Thus, investors in these products have very few alternatives should they decide they need to liquidate their positions.
- Mortgage-Backed Securities are collateralized by a pool of residential mortgages. Monthly payments “pass through” the originating bank on to a third-party investor. Besides monthly interest payments, mortgages amortize over their life, meaning some amount of principal is paid off with every monthly payment, unlike a bond, which generally pays all principal at maturity. In addition to scheduled amortizations, investors receive, on a pro-rata basis, unscheduled prepayments of principal due to refinancing, foreclosure and house sales. While a typical mortgage may have a term of 30 years, quite often mortgages are paid off much sooner. Because of these unscheduled prepayments, predicting the maturity of the MBS is problematic. The credit risk of mortgage-backed securities depends on the likelihood of the borrower paying the promised cash flows (principal and interest) on time.
- Some mutual funds utilize futures contracts. Futures contract is a standardized contract between two parties to buy or sell a specified asset (e.g. oranges, oil, gold) of standardized quantity and quality at a specified future date at a price agreed today (the futures price). The contracts are traded on a futures exchange. Futures contracts are not “direct” securities like stocks or bonds. They are still securities, however, though they are a type of derivative contract. The underlying asset to a futures contract may not be traditional “commodities” – that is, for financial futures, the underlying asset or item can be currencies, securities or financial instruments and intangible assets or referenced items such as stock indexes and interest rates. Futures traders are traditionally placed in one of two groups: *hedgers*, who have an interest in the underlying asset, and are seeking to hedge out the risk of price changes; and *speculators*, who seek to make a profit by predicting market moves and opening a derivative contract related to the asset “on paper,” while they have no practical use for or intent to actually take or make delivery of the underlying asset. Trading security futures contracts may not be suitable for all investors. You may lose a substantial amount of money in a very short period of time. The amount you may lose is potentially unlimited and can exceed the amount you originally deposit with your broker. This is because futures trading is highly leveraged, with a relatively small amount of money used to establish a position in assets having a much greater value. If you are uncomfortable with this level of risk, you should not trade security futures contracts.
- Floating-rate loan funds invest in loans extended by financial institutions to entities of below investment-grade credit quality. Companies that are extended these high interest rate loans

usually have a high debt-to-equity ratio, and those loans' yields tend to be higher than investment-grade bonds. The interest rates on floating-rate loans adjust by a pre-determined spread over a reference rate, like the London Interbank Offered Rate (LIBOR). A fund that invests in floating-rate loans may be attractive in a low or rising interest rate environment because, in addition to having higher yields, the fund's interest rate increases when rates rise.

- Structured retail products are typically unsecured debt with payoffs linked to a variety of underlying assets. These products can seem attractive to investors because they can offer higher returns and might even feature a level of principal protection, subject to the credit worthiness of the issuer. However, these products can also have significant drawbacks such as credit risk, market risk, lack of liquidity and high hidden costs.
- Leveraged products include ETFs and mutual funds that seek to deliver multiples of a specified benchmark by increasing exposure to the benchmark through the use of derivatives. Leveraged products often "reset" daily, meaning that they are designed to achieve their stated objectives on a daily basis. Their performance over longer periods of time can differ significantly from the performance of their underlying index or benchmark.
- Business Development Companies ("BDCs") specialize in providing capital to small private companies. BDCs are treated as regulated investment companies (RICs) under tax laws and as such offer certain tax advantages. In order to maintain RIC status, a BDC must distribute a minimum of 90% of taxable earnings annually to maintain their one-level tax paying status. This leads to a potentially predictable dividend stream. BDCs are publicly issued and traded on the exchanges, giving greater liquidity than private equity funds. BDCs are subject to strict leverage rules, which require total debt to be no more than half of total assets, effectively setting a 2:1 asset coverage ratio. While not overleveraged, leverage is used none-the-less. BDCs are prone to volatility just like other common stocks. Despite advantages, BDCs are not popular as an investment vehicle, with only a limited number of BDCs being publicly traded.

### **Margin**

Buying on margin means borrowing money to purchase additional investments. There are significant additional risks to using margin. Please read the margin agreement in its entirety to understand the risks involved.

**Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **Disciplinary Information**

An investment advisor must disclose material facts about any legal or disciplinary event that is material to a client's evaluation of the advisory business or of the integrity of its management personnel.

Summit does not have any disclosure items.

## **Other Financial Industry Activities and Affiliations**

Summit is not, but IA Reps of the firm are licensed as securities salespersons (“Registered Representatives”) and insurance agents, and are in the business of selling securities and insurance products. Our primary business is the advisory services offered by Summit; however this does create a conflict of interest to be disclosed.

IA Reps of Summit are associated with Triad Advisors, LLC. (“Triad”) as Registered Representatives. Triad is a general securities broker/dealer having membership in the Financial Industry Regulatory Authority. Triad is a subsidiary of Ladenburg Thalmann Financial Services Inc. Triad and Summit are separate entities and are not affiliated.

We may recommend securities, asset management, 1031 real estate exchanges, variable annuities, or insurance products offered by Triad or its affiliates. If clients purchase these products through us, we will receive the normal commissions or fees. Thus, a conflict exists between our interests and those of advisory clients. The client is under no obligation to purchase products recommended, or to purchase products either through us or through Triad. Summit will always act in the client’s best interest.

IA Reps of the firm are licensed with several life, disability, and other insurance companies. Insurance products offered by these companies may be recommended. If clients purchase these products through us, we receive the normal commissions. Thus a conflict of interest exists between our interests and those of advisory clients. The client is under no obligation to purchase products recommended, or to purchase products either through us or through these insurance companies. Summit will always act in the client’s best interest.

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

### **Code of Ethics**

Summit maintains a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

### **Personal Trading**

From time to time, representatives of Summit may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of Summit to buy or sell securities before or after recommending securities to clients, resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, Summit will never engage in trading that operates to the client’s disadvantage when similar securities are being bought or sold.

## **Brokerage Practices**

### **Selection or Recommendation of Broker/Dealers**

For Asset Management it is recommended, and clients may choose to implement trades and maintain custody of assets through TD Ameritrade ("TD"). The selection is made on the discount rates and execution services available to the client. Clients may pay transaction fees to TD for the purchase of "no-load" funds. TD provides clients with consolidated statements.

Summit participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc. ("TD Ameritrade"), member FINRA/SIPC/NFA, an unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Summit receives some benefits from TD Ameritrade through its participation in the Program.

As part of the Program, Summit may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between Summit's participation in the Program and the investment advice it gives to its clients, although Summit receives economic benefits through its participation in the Program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Summit participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have Summit's fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Summit by third party vendors. TD Ameritrade may also pay for business consulting and professional services received by Summit's related persons. Some of the products and services made available by TD Ameritrade through the Program may benefit Summit but may not benefit its client accounts. These products or services may assist Summit in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Summit manage and further develop its business enterprise. The benefits received by Summit or its personnel through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Summit endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Summit or its related persons in and of itself creates a conflict of interest and may indirectly influence Summit's choice of TD Ameritrade for custody and brokerage services.

Summit is not affiliated with TD Ameritrade. IA Reps of our firm are not registered representatives of TD Ameritrade and do not receive any commissions or fees from recommending these services.

### **Business and Marketing Support**

Summit has entered into an Agreement with AssetMark (a Third Party Asset Manager "TPAM") to provide Summit or its IA Reps with organizational consulting, education, training and marketing support. AssetMark may also bear the cost of airfare for Summit IA Reps to attend AssetMark's conferences or to conduct due diligence visits to AssetMark offices. AssetMark may contribute to the costs incurred by

Summit in connection with conferences or other client events conducted by Summit. There is no specified (set) fee arrangement and these payments may be made from time to time as mutually agreed to by Summit and AssetMark.

Summit understands its duty for best execution and considers all factors in making recommendations to clients. These research and additional services may be useful in servicing all Summit clients, and may not be used in connection with any particular account that may have paid compensation to the firm providing such services. While Summit may not always obtain the lowest commission rate, Summit believes the rate is reasonable in relation to the value of the brokerage and research services provided.

### **Directed Brokerage**

Client may direct brokerage to a specified broker/dealer other than the firm recommended by Summit. It is up to the client to negotiate the commission rate, as Summit will not. The client may not be able to negotiate the most competitive rate. As a result, the client may pay more than the rate available through the broker/dealer used by Summit. In client directed brokerage arrangements, the client may not be able to participate in aggregated ("blocked") trades, which may help reduce the cost of execution. Where the client does not otherwise designate a broker/dealer, Summit recommends a broker/dealer with competitive commission rates.

### **Trade Aggregation**

While individual client advice is provided each account, client trades may be executed as a block trade. The Advisor encourages its existing and new clients to use the Advisor's "lead custodian." Only accounts in the custody of the lead custodian would have the opportunity to participate in aggregated securities transactions. All trades using the lead custodian will be aggregated and done in the name of the Advisor. The executing broker will be informed that the trades are for the account of the Advisor's clients and not for the Advisor itself. No advisory account within the block trade will be favored over any other advisory account, and thus, each account will participate in an aggregated order at the average share price and commissions will be applied on the same basis as if the trade had been entered on an individual basis. The Advisor will not aggregate a client's order if in a particular instance the Advisor believes that aggregation would cause the client's cost of execution to be increased. The Custodian will be notified of the amount of each trade for each account. The Advisor and/or its IA Reps may participate in block trades with clients, and may also participate on a pro rata basis for partial fills, but only if clients receive fair and equitable treatment.

## **Review of Accounts and Reports on Accounts**

### **Reviews - Frequency**

While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed as needed but no less than annually. Accounts are reviewed in the context of each client's stated investment objectives, guidelines market conditions and political or economic environment.

**Pension Consulting** accounts are reviewed quarterly for the investment committee meetings.

### **Financial Planning**

Financial planning is a snapshot in time. While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

## **Reviewers**

Summit uses a team approach in managing and reviewing accounts and for financial plans. However, each IA Rep is assigned certain client accounts and designated as the primary client contact for those accounts. The Chief Compliance Officer supervises the team and is responsible for account oversight.

## **Reports**

All clients receive standard account statements from investment sponsors and brokerage firms at least quarterly. Clients may elect to receive reports electronically via online portal or paper via the US mail.

Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for.

## **Client Referrals & Other Compensation**

**Incoming Client Referrals:** Summit Financial Consultants, Inc. may pay referral fees to related or independent persons or firms ("Solicitors") for introducing clients to Summit Financial Consultants, Inc. As part of such a referral program, Summit Financial Consultants, Inc. complies with Rule 206(4)-3 of the Investment Advisers Act of 1940.

As a matter of firm practice, the advisory fees paid to Summit Financial Consultants, Inc. by clients referred by solicitors are not increased as a result of any referral.

Referral fees paid to a solicitor are contingent upon a client engaging Summit Financial Consultants, Inc. to provide investment management services. Therefore, a solicitor has a financial incentive to recommend Summit Financial Consultants, Inc. to clients. This creates a conflict of interest; however, clients are not obligated to retain Summit Financial Consultants, Inc. for advisory services. Comparable services and/or lower fees may be available through other firms.

## **Referrals to Third Party Asset Managers ("TPAMs")**

Summit may exercise agreements with other Registered Investment Advisors and recommend other TPAMs to clients. Under all TPAM programs, clients will receive compensation arrangements and full disclosure. Summit will provide the client with the Form ADV for the TPAM in addition to Summit's Form ADV. The client is under no obligation to use the services of the TPAM recommended.

- When under Summit's Asset Management program, Summit will receive a portion of the account fee as deducted by the TPAM, which represents Summit's Asset Management fee as disclosed in the fee section of this document. The TPAM also deducts its own advisory fee ("Platform Fee").
- If Summit acts as a solicitor-only (not under Summit's Asset Management program), clients will be given a compensation disclosure document describing the terms and fee-sharing arrangements between the TPAM and Summit prior to or at the time of entering into the TPAM's advisory agreement. All solicitors' agreements are in compliance with the Investment Advisers Act of 1940.

See Business and Marketing Support disclosure above regarding other compensation arrangements with AssetMark.



### **Sales Awards and Other Compensation**

Investment sponsors (mutual fund companies, REITs, BDCs, TPAMs, insurance companies) may co-sponsor certain Summit client events by paying some or all of the expenses of holding the event and education costs

For benefits received from TD, please see item 12.

### **Custody**

Although client assets are held at a third-party independent custodian, Summit is deemed to have custody of client funds because of the fee deduction authority granted by the client in the Advisory Agreement. Custody is also disclosed in Form ADV because Summit has authority to transfer money from client account(s), which constitutes a standing letter of authorization (SLOA). Accordingly, Summit will follow the safeguards specified by the SEC rather than undergo an annual audit.

Clients will receive account statements at least quarterly from the broker-dealer or other qualified custodian. The client is urged to compare custodial account statements against statements prepared by Summit for accuracy. Minor variations may occur because of reporting dates, accrual methods of interest and dividends, margin balances, and other factors. The custodial statement is the official record of your account for tax purposes.

This does not apply to Third Party Management (TPAM) – AssetMark

### **Investment Discretion**

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

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

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

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

For Asset Management, the client has the option to give Summit full discretion under a limited power of attorney as to which securities and amount of securities to be bought and sold.

Under some TPAM programs Summit may have the authority to hire and fire sub-advisors in the program, pursuant to the ADV disclosure brochure and the Agreement signed by the client. In certain other TPAM programs, the TPAM retains the discretionary authority as to which securities and amount of securities to be bought and sold.

If discretionary authority is not granted to Summit, then Summit will have a limited power of attorney, limited to the power of executing trades on a non-discretionary basis.

For Pension Consulting, Summit does not have any discretionary trading authority over any plan assets.

Summit may with client's written authorization on a discretionary or non-discretionary basis be engaged for ongoing reallocation of subaccounts within the client's variable annuity, variable universal life, direct investment and 401(k) plans pursuant to investment objectives chosen by the client.

While some custodian account opening applications may indicate that Summit has discretionary authority, this is part of the custodian's procedure to allow Summit to execute the client's trading instructions. Summit will be bound by Summit's Advisory Agreement with the client, which will indicate Summit's authority as to discretion or non-discretion.

Summit will not have authority to withdraw funds or to take custody of client funds or securities, other than under the terms of the Fee Payment Authorization clause in the Advisory Agreement with the client.

Summit does not have the ability to discount brokerage commissions.

### **Voting Client Securities**

Summit does not vote proxies. It is the client's responsibility to vote proxies. Clients will receive proxy materials directly from the custodian. Questions about proxies may be made via the contact information on the cover page.

### **Financial Information**

An investment advisor must provide financial information if a threshold of fee prepayments is met; there is a financial condition likely to impair the ability to meet contractual commitments; or, a bankruptcy within the past ten years. Summit does not have any disclosure items in this section.

The Adviser is not required to provide a balance sheet as it does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1200 per client, and six months or more in advance.