



## **Investment Advisory Disclosure Brochure**

**September 1, 2021**

4 Campus Drive  
Parsippany, NJ 07054

(973) 285-3600

[www.SummitFinancial.com](http://www.SummitFinancial.com)

This Form ADV 2A ("Disclosure Brochure") provides information about the qualifications and business practices of Summit Financial, LLC. If you have any questions about the contents of this brochure, please contact us at (973) 285-3600. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

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

Summit Financial, LLC is acting as SEC registered investment adviser under Section 203(g) of the Investment Advisers Act of 1940. Registration does not imply a certain level of skill or training.

## Item 2. Material Changes

Form ADV 2 is divided into two parts: *Part 2A (the "Disclosure Brochure")* and *Part 2B (the "Financial Advisor Brochure Supplement")*. The Disclosure Brochure provides information about a variety of topics relating to an Advisor's business practices and conflicts of interest. The Financial Advisor Brochure Supplement provides information about the Advisory Persons of Summit Financial, LLC.

Summit Financial, LLC believes that communication and transparency are the foundation of its relationship with Clients and will continually strive to provide its Clients with complete and accurate information at all times. Summit Financial encourages all current and prospective Clients to read this Disclosure Brochure and discuss any questions you may have with us.

### Material Changes

There have not been any material changes to this Disclosure Brochure since the last filing and distribution to Clients.

### Future Changes

From time to time, we may amend this Disclosure Brochure to reflect changes in our business practices, changes in regulations and routine annual updates as required by the securities regulators. This complete Disclosure Brochure or a Summary of Material Changes shall be provided to each Client annually and if a material change occurs.

At any time, you may view the current Disclosure Brochure on-line at the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with our firm name or our CRD# 299322. You may also request a copy of this Disclosure Brochure at any time, by contacting us at (973) 285-3600.

### Item 3. Table of Contents

<b>Item 1</b>	<b>Cover Page</b> .....	<b>1</b>
<b>Item 2</b>	<b>Material Changes</b> .....	<b>2</b>
<b>Item 3</b>	<b>Table of Contents</b> .....	<b>3</b>
<b>Item 4</b>	<b>Advisory Business</b> .....	<b>4</b>
<b>Item 5</b>	<b>Fees and Compensation</b> .....	<b>14</b>
<b>Item 6</b>	<b>Performance-Based Fees and Side-By-Side Management</b> .....	<b>18</b>
<b>Item 7</b>	<b>Types of Clients</b> .....	<b>18</b>
<b>Item 8</b>	<b>Methods of Analysis, Investment Strategies and Risk of Loss</b> .....	<b>19</b>
<b>Item 9</b>	<b>Disciplinary Information</b> .....	<b>24</b>
<b>Item 10</b>	<b>Other Financial Industry Activities and Affiliations</b> .....	<b>25</b>
<b>Item 11</b>	<b>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading</b> .....	<b>27</b>
<b>Item 12</b>	<b>Brokerage Practices</b> .....	<b>28</b>
<b>Item 13</b>	<b>Review of Accounts</b> .....	<b>29</b>
<b>Item 14</b>	<b>Client Referrals and Other Compensation</b> .....	<b>29</b>
<b>Item 15</b>	<b>Custody</b> .....	<b>31</b>
<b>Item 16</b>	<b>Investment Discretion</b> .....	<b>32</b>
<b>Item 17</b>	<b>Voting Client Securities</b> .....	<b>32</b>
<b>Item 18</b>	<b>Financial Information</b> .....	<b>32</b>

#### Item 4. Advisory Business Description of the Advisory Firm

Summit Financial, LLC, a Delaware limited liability company (hereinafter referred to as the "Advisor", "Summit" or "Summit Financial") is a successor to Summit Equities, Inc.'s registration under Section 203(g) of the Investment Advisers Act of 1940 (the "*Advisers Act*"). Established in 2018, Summit has succeeded from the advisory businesses of Summit Equities, Inc. ("SE") which had been providing investment advisory and financial planning services since 1991. Summit is wholly owned by Summit Financial Holdings, LLC ("SFH") which is owned 80.1% by Summit Financial Services, LLC ("SFS"). SFS is owned 25% by Stanley Gregor and 52.5% by SE (which has ceased to operate as an investment adviser but still exists as a corporate entity) and 22.5% by Summit Risk Management, Inc.

Summit offers investment advisory services to individuals, high net worth individuals, corporations and/or business entities, pension and profit-sharing plans, and charitable organizations (each referred to as a "Client" or collectively as "Clients").

Summit serves as a fiduciary to Clients, as defined under the applicable laws and regulations. As a fiduciary, the Advisor upholds a duty of loyalty, fairness and good faith towards each Client and seeks to mitigate potential conflicts of interest. Our fiduciary commitment is further described in our Code of Ethics. For more information regarding our Code of Ethics, please see Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

As previously disclosed to its investment advisory Clients, Summit assisted Clients in 2018 to move (or convert) their accounts to an introducing firm relationship with Fidelity Brokerage Services, LLC ("FBS"), which provides brokerage services in connection with most of the accounts in the programs discussed in Summit's Wrap Fee Program Brochure. National Financial Services LLC ("NFS"), an affiliate of FBS, will continue to provide account custodial services in connection with such accounts. The majority of Summit's Wrap Fee Accounts are custodied at NFS. However, some clients also use Schwab Advisor Services LLC, Pershing LLC, Wells Fargo Bank, N.A. or First Clearing Corp. (hereinafter referred to as "Additional Qualified Custodians") as their qualified custodian for Wrap Accounts. All clients will complete documentation provided by the qualified custodian of their choice at account opening and may have also been notified of the qualified custodian via the Advisory Program Schedule attached to the Investment Management Agreement ("IMA") signed by the Client. For additional information regarding custodians, please contact your Financial Advisor or Summit at [research@sfr1.com](mailto:research@sfr1.com).

Each advisory relationship at Summit is managed by one or more Financial Advisors, acting in the capacity of an investment adviser representative registered with Summit (hereinafter referred to as "Financial Advisors" or "IAR"), who serves as the primary point of contact between Summit and the Client. Financial Advisors collect financial profile information from Clients and recommend specific advisory services or programs that would seek to meet their investment objectives. Some Financial Advisors choose to incorporate more of Summit's resources in their provision of advisory services to their Clients than others do, such as consultations with the internal Summit specialists.

Certain Financial Advisors are also associated with an unaffiliated broker-dealer, Purshe Kaplan Sterling Investments ("PKS")<sup>1</sup>. PKS is registered with the SEC as a broker-dealer and is a member of FINRA and SIPC. Financial Advisors who are also associated with PKS can provide brokerage services in the capacity of a registered representative ("RR") of PKS. References in this brochure as to "Financial Advisor" or "IAR" is intended to include those individuals who are both Financial Advisors of Summit and RRs of PKS. Any brokerage product offered by your Financial Advisor are provided through their broker-dealer, not through Summit or its affiliates.

The Financial Advisors who provide (i) investment advisory services, including asset management and financial planning services, through Summit or its affiliated firms, (ii) insurance through Summit Risk Management, LLC ("SRM"), and (iii) brokerage services through PKS or any other unaffiliated broker dealer, are independent contractors of each of these companies. Some Financial Advisors have other material business interests as well, as described in their Form ADV Part 2B Brochure Supplements ("Financial Advisor Brochure Supplement"). SRM is an affiliate of Summit see Item 10 – Other Financial Industry Activities and Affiliations contains a discussion of this company. Some of our Financial Advisors operate their business under a "doing business as" ("DBA") firm. The investment advisory and financial planning products and services offered through their DBA are provided through Summit Financial, LLC. Other business lines such as brokerage and insurance services and products, provided through their DBA, are provided through other unaffiliated and affiliated firms. For more information about a Financial Advisor or their DBA, please refer to the particular Financial Advisor Brochure Supplement.

Each Financial Advisor is compensated by Summit for providing investment advisory and related services. The amount of this compensation varies depending on which advisory service or program the Client selects and may be more than what the Financial Advisor would receive if the Client selected a different advisory service or program provided by Summit. Accordingly, Financial Advisors have a financial incentive to recommend one advisory service or program over another to maximize their compensation.

This Form ADV Part 2A Disclosure Brochure describes the investment advisory services and programs offered by Summit. Wrap fee programs offered by Summit are described in detail in another brochure, Summit's Wrap Fee Program Brochure, which contains the information required by Part 2A, Appendix 1 of Form ADV.

### ***Types of Advisory Services***

Summit offers several different asset management programs for its advisory Clients as well as financial planning. From time to time, individual Financial Advisors offer custom consulting or other services. In such event, the details will be disclosed in the specific agreements with the Client.

For most of the assets in its asset management programs, Summit provides continuous and regular supervisory or management services (as defined by the SEC) based on the Client's individual goals,

---

<sup>1</sup> SE assisted the Financial Advisors who wished to continue to remain registered representatives of a broker-dealer to register with PKS. PKS is not affiliated with SE or its successors. If your Financial Advisor continues to offer brokerage products to Clients, it will not be through Summit or any of its affiliates but will be through PKS or other unaffiliated broker dealers as appropriate. PKS, or other unaffiliated broker dealers, through a referral agreement, pay a referral fee to a broker dealer that is owned by Summit Financial Holdings, LLC (LS Securities, LLC) for the brokerage business conducted by the Financial Advisors at PKS or other unaffiliated brokers dealers.

objectives, time horizon, risk tolerance, liquidity needs, investment assets and income ("financial circumstances") utilizing the investment strategy selected by the Client. Financial Advisors obtain a financial profile for each Client to aid in the construction of a portfolio that matches the Client's specific situation. Many Clients maintain "household" accounts, in which multiple accounts for an individual or members of a family are managed jointly to maximize efficiencies. (The term "Client" includes such households, for purposes of this brochure.) For all of the different types of asset management programs, the Financial Advisor will assist Clients in assessing their goals, risk tolerance, income and tax situation and selecting an investment strategy and asset allocation that are appropriate for the Client's specific circumstances. However, Summit and its Financial Advisors do not provide tax advice to Clients.

Summit, through its Financial Advisors, is available to Clients on an ongoing basis to discuss Client financial circumstances, the selected portfolio and the securities therein or to process instructions from Clients concerning advisory assets.

Summit or a third-party manager as applicable, will exercise discretion in connection with certain advisory programs as described herein, or pursuant to an investment advisor agreement the Client signs with Summit. By signing Summit's Discretionary Investment Management Agreement, Client appoints Summit and the selected Summit Financial Advisor to provide investment advisory and investment management services on a discretionary basis for assets in the Client's designated accounts which may include all accounts in the Client's household. Account(s) managed under full discretion by Summit and Client's Summit Financial Advisor are part of Summit's Wrap Fee programs. Additional information regarding discretionary services can be found in Summit's Wrap Fee Program Brochure.

In connection with non-discretionary services or programs, it is up to the Client to decide whether to accept or reject Summit's recommendations. Summit's securities recommendations seek to be consistent with a Client's financial circumstances and any reasonable guidelines or restrictions provided by a Client.

Unless otherwise instructed by the Client, all dividends and other distributions will be reinvested in Client accounts.

The investment strategies used by Summit vary by Client and are based on the Clients' individual circumstances.

Clients are advised to notify Summit promptly if there are changes in their financial situation, investment objectives or if they wish to impose any reasonable restrictions upon Summit's investment management services. Clients can engage Summit to manage all or a portion of their assets on a discretionary or non-discretionary basis, by selecting one or more advisory programs as set forth in their IMAs with Summit. As applicable, Clients are typically required to enter into additional written agreements with the Custodian for the accounts, third-party investment managers, platform managers, insurance companies or other parties that are not affiliated with Summit.

All investments have risk and there is no guarantee that utilizing the asset management or financial planning services of Summit or its Financial Advisors will produce favorable results.

## **1. Summit Managed Portfolios**

Summit Managed Portfolios ("Managed Portfolios") are custom designed portfolios constructed by Summit's Investment Management Committee ("IMC"), which includes the Chief Investment Officer ("CIO") and members of the Investment Management Department. The IMC meets regularly to oversee the Managed Portfolios. The IMC also conducts quarterly meetings with the Investment Committee, an advisory group of Financial Advisors, to discuss changes to the Managed Portfolios as well as other investment topics. Summit, acting through the Chief Investment Officer, has discretionary authority over the assets managed under the Managed Portfolios program. The IMC determines the asset allocation, the securities to be bought or sold, the amount of securities to be bought or sold and the timing of the purchases and sales of the securities. Given the long-term nature of many Managed Portfolios strategies, many Managed Portfolios accounts may have little or no activity during a given period.

With the exception of the Tax-Deferred Strategies Portfolios ("TDS"), the Managed Portfolios are part of the wrap fee program.<sup>2</sup> The TDS program includes managed portfolios that target a specific asset class, market segment or investment strategy or offer various mixes of these components. Each portfolio has a strategic allocation designed to overweight market segments seeking to outperform over the long term and to control exposures to investment risks. Portfolios with a range of investment objectives and potential levels of risk and return are available. These portfolios are only available on the Nationwide Monument Advisor tax-deferred variable annuity platform. The specific strategies offered as TDS are detailed in the Summit Managed Portfolio Brochure which is provided to Clients prior to investing in this advisory program.

## **2. Strategic Asset Allocation ("SAA")**

The SAA program enables Financial Advisors to custom design portfolios for Clients, taking into account each Client's circumstances. The Financial Advisor does not have discretion over the assets and must get approval from Clients before entering any trades. SAA accounts primarily include assets for which regular and continuous supervision or management services are provided but from time to time, they hold specific investments for which the Financial Advisor provides only consultative and administrative services, including periodic monitoring, reporting and/or servicing.<sup>3</sup>

Although most SAA accounts are primarily allocated among mutual funds and ETFs, some Financial Advisors recommend that their Clients also hold individual positions in stocks, bonds, traded and non-traded REITs, hedge funds (including funds of funds), unit investment trusts ("UITs") or other securities. Mutual funds, UITs and ETFs often provide diversification but may be concentrated in a particular asset class or investment style. The risk in these investments is determined by the risk in underlying holdings (*e.g.*, a stock mutual fund's risk is determined by the risk of the stocks in the fund). Further, some of the selected securities may be less liquid than those utilized in the Managed Portfolios. The Financial Advisors are invited to consult with members of the IMC regarding particular securities or when constructing portfolios, but they are not required to, and some choose to rely solely on their own due diligence regarding the securities recommended. Clients should speak to their Financial

---

<sup>2</sup> For additional information about the Managed Portfolios that are part of Summit's Managed Portfolios wrap fee program, please see Summit's Wrap Fee Program Brochure.

<sup>3</sup> For certain assets, such as those invested in hedge funds and non-traded REITS, or those managed by third parties who have a direct relationship with the Client, Summit and the Financial Advisor provide ongoing advice and monitoring rather than what the SEC refers to as "continuous and regular supervisory services."

Advisors to understand how their Financial Advisor determines which securities to recommend. Given the long-term nature of many SAA strategies, many SAA accounts have little or no activity during a given period. If you have any questions, please speak with your Financial Advisor or contact [research@sfr1.com](mailto:research@sfr1.com).

Assets held in connection with the SAA program may be custodied at NFS, one of the Additional Qualified Custodians or elsewhere as selected by the Client, and when custodied at NFS or one of the Additional Qualified Custodians, they are part of Summit's wrap fee programs. Additional information regarding SAAs that are custodied at NFS or one of the Additional Qualified Custodians can be found in Summit's Wrap Fee Program Brochure.

Within SEI Managed Account Solutions ("SEI MAS") and SEI Mutual Fund Portfolio ("SEI MF") accounts, a Financial Advisor can direct, on a non-discretionary basis, some or all of the Client's assets into non-SEI investments to customize the portfolio based on the Client's needs and circumstances ("Wealth Manager-Directed Non-Discretionary"). Summit treats assets held as part of Wealth Manager-Directed Non-Discretionary (but not other assets held in connection with the SEI MAS and SEI MF accounts) as part of a SAA program. The Wealth Manager-Directed Non-Discretionary assets are primarily allocated among mutual funds and ETFs; however, they may also hold other types of investments, if recommended by the Financial Advisor. When Financial Advisors recommend these other investments in connection with Wealth Manager-Directed Non-Discretionary, Clients incur additional charges.

### **3. Flexible Managed Accounts ("FMA")**

The FMA program is similar to the SAA program except that the Financial Advisor has discretion to place trades without contacting the Client first. Further, the FMA program does not include any direct investments, such as non-traded REITs and hedge funds. The Financial Advisor reviews the Client's financial circumstances and exercises discretion to determine the securities to be bought or sold in the Client's account, the amount of securities to be bought or sold and the timing of the purchases and sales of the securities. The securities used in this program generally include mutual funds, ETFs, MLPs, UITs, equities and fixed income.

Mutual funds, UITs and ETFs often provide diversification but may be concentrated in a particular asset class or investment style. The risk in these investments is determined by the risk in underlying holdings (e.g., a stock mutual fund's risk is determined by the risk of the stocks in the fund). The Financial Advisors are invited to consult with members of the IMC regarding particular securities or when constructing portfolios, but they are not required to, and some choose to rely solely on their own due diligence regarding the securities recommended. Some Financial Advisors select securities that are less liquid than those utilized by the IMC in connection with the Managed Portfolios. Clients should speak to their Financial Advisors to understand how their Financial Advisor determines which securities to buy and sell.

Given the long-term nature of many FMA strategies, many FMA accounts have little or no activity during a given period. If you have any questions, please speak with your Financial Advisor or contact [research@sfr1.com](mailto:research@sfr1.com).

Assets held in connection with the FMA program may be custodied at NFS, one of the Additional Qualified Custodians or elsewhere as selected by the Client, and when custodied at



NFS or one of the Additional Qualified Custodians, they are part of Summit's wrap fee programs. Additional information regarding FMAs that are custodied at NFS or one of the Additional Qualified Custodians can be found in Summit's Wrap Fee Program Brochure. Certain FMA accounts at NFS were grandfathered in that are not part of Summit's Wrap Fee Programs. Clients can reference their Advisory Program Schedule document, IMA or contact their Financial Advisor to confirm whether their account is a Wrap or Non-Wrap account.

Within SEI MAS and SEI MF accounts, an IAR can direct, on a discretionary basis, some or all of the Client's assets into non-SEI investments to customize the portfolio based on the Client's needs and circumstances ("Wealth Manager-Directed Discretionary"). Summit treats assets held as part of Wealth Manager-Directed Discretionary (but not other assets held in connection with the SEI MAS and SEI MF accounts) as part of an FMA program. The Wealth Manager-Directed Discretionary assets are primarily allocated among mutual funds and ETFs; however, they may also hold other types of investments, if recommended by the Financial Advisor. When Financial Advisors recommend these other investments in connection with Wealth Manager-Directed Discretionary, Clients incur additional charges.

#### **4. Third Party Managers ("TPM")**

In the TPM program, the Financial Advisor reviews the Client's financial circumstances and recommends an unaffiliated third-party investment manager to manage the Client's assets. Some of the TPMs are sub-advisers under agreements with Summit and others will have separate advisory agreements directly with the Client. Some of the third-party managers operate on the NFS platform (such as Envestnet and AllianceBernstein); some operate on separate platforms (such as SEI MAS). For additional information about Summit's sub-advisory stock portfolios with Seeds, Parametric and AllianceBernstein or the Municipal Bond Program, a TPM program under which AllianceBernstein serves as sub-adviser and pursues a municipal bond strategy, please see Summit's Wrap Fee Program Brochure.

In some cases, Summit acts as a solicitor on behalf of the TPM. TPMs actively manage the assets on a continuous basis and have discretion to buy, sell and trade stocks, bonds, mutual funds and/or other securities in accordance with the program selected by the Client. Depending on the TPM, the Financial Advisor will provide either consultative or continuous and regular supervisory services to assets in TPM programs and may recommend periodic rebalancing among the TPM's offerings. Clients are advised to review the investment advisory brochure for any recommended TPM. In some cases, the Financial Advisor can create custom allocations on a TPM's platform. If you have questions about a particular TPM or program, please ask your Financial Advisor or contact [research@sfr1.com](mailto:research@sfr1.com).

Some of the TPM programs constitute "wrap programs." For example, the SEI MAS program is a wrap program sponsored by SEI that utilizes third party managers and/or mutual fund models. The investment advisory brochure for the specific TPM will indicate if its program is a wrap program and contain important disclosures about the program. Clients are encouraged to read those brochures and follow up with their Financial Advisor if they have any questions.

#### **5. SEI Mutual Fund Portfolios**

The SEI Mutual Fund Portfolios program (which is separate and distinct from the SEI MAS program) enables Financial Advisors to design portfolios for Clients, taking into account the Client's financial

circumstances, and uses actively managed SEI mutual fund asset allocation portfolios to help meet Client investment objectives.

The Financial Advisor and Client decide whether to subject the accounts to automatic quarterly rebalancing so the allocation selected by the Client remains consistent over time. The Financial Advisor provides ongoing advice and monitoring and does not have discretion over the assets and must get approval from the Client before entering any trades (except for automatic rebalancing or Wealth Manager-Directed Discretionary, if selected). Given the long-term nature of most of the strategies, a SEI MF account may have little or no activity during a given period. Assets in the program are custodied at SEI, which is unaffiliated with Summit. As permitted by SEI, other assets may be held in the accounts, as well.

## **6. Outside Investment Monitoring**

In some cases, Clients ask their Financial Advisors to oversee assets managed by other advisers, assets at brokers, or alternative investments such as hedge funds. Often, these are assets held in retirement plans. In these cases, the Financial Advisor provides ongoing consultative services which take into account the Client's financial circumstances.

Services include periodic investment monitoring, reporting and/or servicing to the Client. In connection with this service, the Financial Advisors typically do not have the ability to direct the trades, which must occur through the broker of record.

## **7. Retirement Plan Advisory Services**

Summit provides 3(21) retirement plan advisory services on behalf of the retirement plans (each a "Plan") and the company (the "Plan Sponsor"). The Advisor's retirement plan advisory services are designed to assist the Plan Sponsor in meeting its fiduciary obligations to the Plan. In addition, Plan Sponsors may engage Summit to serve as a 3(38) Fiduciary to their plan and assume investment discretion over the Plan. In such instances, the Plan Sponsor shall authorize this discretion to select and implement the Plan investment options.

Summit may provide the following retirement plan advisory services:

- Vendor Analysis
- Employee Enrollment and Education Tracking
- Investment Policy Statement ("IPS") Support
- Investment Management
- Performance Reports
- Ongoing Investment Recommendation and Assistance
- ERISA 404(c) Assistance
- Benchmarking Services

Summit may provide investment advisory services on behalf of the Plan and Plan Sponsor, which may be in either a 3(21) or 3(38) context depending on whether or not it is also providing discretionary investment management over the Plan assets. For 3(38) services, Summit shall have the discretion to select the investments for the Plan and/or make investment decisions on behalf of Plan Participants.

## **8. Financial Planning**

Financial planning is designed seeking to meet the Client's financial goals, needs and objectives. The scope of the financial plan varies depending on the Client and typically involves some combination of a review of the Client's current financial situation, including estate planning, insurance planning, education planning, retirement planning, business succession planning and portfolio analysis. Summit does not typically advise on business value analysis, and/or business liquidations, or property and casualty insurance, but these components can be referred out to third parties. The financial planning team includes income tax and estate specialists, insurance specialists and/or members of the IMC. Although some members of the Summit financial planning team are admitted attorneys and/or CPAs, they act in a non-representative capacity. Neither they, nor any Summit entity, provides tax, accounting or legal advice to Clients. Clients should make all decisions regarding the tax and legal implications of their investments and plans with their independent tax or legal advisors.

Following delivery of the financial planning services, which may or may not include a written financial plan, the investment advisory relationship terminates for Clients who have engaged Summit as investment adviser for the limited purpose of providing financial planning services. Clients are free to implement none, some or all of the recommendations and may do so through Summit and its affiliates or through other providers of such services. Charges may be lower or higher if the plans are implemented away from Summit and its affiliates. If additional services are selected by the Client, they will be covered under separate agreement(s).

Financial planning services will include various recommendations and planning strategies, depending on the nature of the financial planning services selected. These may include recommendations to allocate your assets among generic product or account types or they may include more specific recommendations. Implementation of financial planning recommendations is your responsibility. The actions necessary to implement a financial planning recommendation and the costs of doing so are not included in the financial planning fee.

As noted above, most Financial Advisors are also RRs of PKS, a broker-dealer that is not affiliated with Summit and are also insurance agents of SRM. In the Financial Advisor's capacity as an RR and/or an insurance agent, he or she is authorized to provide securities brokerage services and/or sell insurance. In those capacities, and separate from the financial planning services, the Financial Advisor may help you implement one or more financial planning recommendations included with the financial planning services.

If you accept the Financial Advisor's offer to assist with implementation of the financial plan, the Financial Advisor may make additional recommendations to invest in specific products or accounts or to purchase additional investment advisory services, but any such recommendations will be limited to those products, accounts and services that the Financial Advisor is authorized to offer. You are under no obligation to engage the Financial Advisor to implement the financial plan, or to purchase any investment or insurance product or obtain an advisory service from the Financial Advisor to implement the recommendations made in your financial plan.

In circumstances where the Financial Advisor recommends specific investments and/or otherwise is involved in implementing the plan, the opportunity for the Financial Advisor and Summit, SRM or LS Securities to receive additional compensation as a result of such recommendations creates a conflict between your interests and those of the Financial Advisor and Summit. In addition, if you separately

purchase a product or service recommended by the Financial Advisor to implement a financial planning recommendation, you generally will be charged commissions or fees in connection with those transactions and services that are separate from and in addition to the fees charged by Summit for financial planning services. The obligations of SRM when it is acting as an insurance agency, as well as the obligations of PKS when it is acting as a broker-dealer, differ from Summit's obligations to you when Summit is acting as an investment adviser. Similarly, your Financial Advisor's obligations when acting as an insurance agent for you or providing securities brokerage services to you differ from his/her obligations to you when acting as a Financial Advisor.

Client or Summit may terminate an advisory program at any time by providing notice of such election to the other party. Refunds for financial plans are addressed in Item 5, below.

In addition to these core investment advisory services and platforms (*i.e.*, Managed Portfolios, SAA, FMA, TPMs, SEI MF, Outside Investment Monitoring accounts and Financial Planning), Clients and Financial Advisors may negotiate other types of services for a retainer, flat fee or otherwise. These arrangements will be documented separately with the Client, the Financial Advisor and Summit.

All investments have risk and there is no guarantee that utilizing the financial planning, asset management and/or advisory consulting services of Summit or its Financial Advisors will produce favorable results.

## **9. Subadvisory Services**

Starting in 2021, Summit will offer subadvisory services to unaffiliated third party registered investment advisors. Summit will utilize its proprietary strategies for the assets they manage related to providing subadvisory services which creates a conflict of interest.

## **10. Variable Annuity Contracts**

Summit offers Client's access to variable annuity products. Variable annuity contracts facilitate long-term investment on a tax-deferred basis. A variety of investments options with different objectives, strategies and expenses are generally available. Add on features with a death benefit or living benefit may also be available, sometimes for an additional cost. Any obligations of the contract are subject to the claims-paying ability of the issuing insurance company. Contract values may be invested in the fixed account of the issuing insurance company or in sub-account investment funds. Investment funds may be affiliated funds or managed by third-party sub-advisors. The issuing insurance company is responsible for selecting the available investment funds which may include asset allocation fund of funds that are diversified across multiple asset classes and underlying funds.

Clients should discuss fees related to Variable Annuity products with their Financial Advisor to see if there are alternative channels that would have lower fees.

## ***Other Aspects of Asset Management***

In its provision of investment advice and asset management, Summit utilizes various types of investments including but not limited to mutual funds, ETFs, MLPs, equities, UITs, fixed income, hedge funds, traded and non-traded REITs, and insurance products such as variable life insurance and variable annuities.

Summit offers the same suite of services to all of its Clients. However, each Financial Advisor determines, based on his or her own analysis, management style and preferences, in conjunction with each Client's specific profile and financial circumstances, which services and products to recommend and whether to recommend Summit's wrap fee programs or Summit's non-wrap advisory programs. Clients may impose reasonable restrictions on Summit regarding investing in certain securities or types of securities in accordance with their values or beliefs (or based on their employer or regulatory restrictions). However, if the restrictions prevent Summit or the TPM, as applicable, from properly servicing the Client account, or if the restrictions would require Summit to deviate from its standard platform of services, Summit reserves the right to end the relationship.

Summit's IMC and its Financial Advisors participate in wrap fee programs by providing portfolio management services. The asset management services of the IMC do not differ depending on whether it is managing a wrap fee account as opposed to another account (*e.g.*, an account participating in the TDS Managed Portfolio). Financial Advisors provide portfolio management services in connection with SEI MAS program accounts and some non-wrap accounts (*i.e.*, SAAs and FMAs that are not custodied at NFS or one of the Additional Qualified Custodians and SEI MF programs). For their services in connection with any wrap fee programs, Summit and the Financial Advisors receive a portion of the wrap fees paid by accounts participating in such programs.

As noted above, Financial Advisors act as portfolio managers in connection with the SAA and FMA programs that may or may not be custodied at NFS or one of the Additional Qualified Custodians. Certain conflicts arise in connection with these related persons acting as portfolio managers in these programs. In particular, the maximum advisory fee paid by Clients differs depending on the specific program or service they select, the Custodian where the assets are held, and often varies from Client to Client. Moreover, in connection with accounts in the SEI programs, Summit retains 5% of the advisory fee before applying the Financial Advisor's grid to calculate the Financial Advisor's compensation. In certain limited SEI accounts, Summit retains no portion of the advisory fee before applying the Financial Advisor's grid to calculate the Financial Advisor's compensation and the Financial Advisor's compensation is based on the entire advisory fee. Clients should be aware that Financial Advisors, therefore, have an incentive to recommend the programs or services in which they receive more of the advisory fee. Summit is aware of the conflicts of interest created by the variability in advisory fee compensation and has adopted practices to supervise recommendations of programs and services.

Financial Advisors acting as portfolio managers in connection with the SAA and FMA programs have to conduct their own due diligence of securities and allocations they recommend and select under these programs, while they do not have to conduct the same degree securities-level due diligence in connection with the other programs. Because the SAA and FMA programs involve this additional effort by Financial Advisors, Financial Advisors may be disincentivized from recommending these programs to Clients. Conversely, the maximum advisory fee is higher for SAA or FMA accounts, which incentivizes Financial Advisors to recommend these programs. Summit is aware of the conflicts of interest created by variability of the role the Financial Advisor plays in connection with the different programs and has adopted practices to supervise program recommendations. In certain limited instances, the client will be given authorization to trade securities in their own account.

If there is little or no trading activity in the account, a Client may pay more in advisory fees than commission charges if the assets were in a non-managed program.

## *Assets Under Management*

As of December 31, 2020, Summit provided advisory services to Clients with respect to \$4,266,044,986 of their assets, approximately \$1,661,867,057 of which is on a discretionary basis. (Note that Summit does have limited discretion with respect to the remaining assets to sell securities if there is insufficient cash in an account to pay the fees.) This includes assets for which regular and continuous supervision and management are provided as well as assets for which other consultative services, including periodic monitoring, managing, supervising, reporting and/or servicing.

## **Item 5. Fees and Compensation**

### *Investment Supervisory Services Fees*

When a Client engages Summit to provide investment management services, Summit charges an annual advisory fee and in wrap accounts, a program fee. Clients in the SEI programs, the Envestnet program, or the AssetMark/Genworth program do not pay the program fee to Summit, and only pay an advisory fee to Summit. Both the advisory fee and the program fee are negotiable. For additional information regarding the negotiability of these fees, please contact your Financial Advisor or Summit at [research@sfr1.com](mailto:research@sfr1.com).

#### Advisory Fee

Financial Advisors set their own advisory fees and/or flat fees for their services, as long as the maximum advisory fees do not exceed those on the advisory fee schedule, below. Financial Advisors consider various factors in determining what advisory fee to charge, which may include the nature and size of the overall Client relationship with the Financial Advisor and/or the type of advisory products or services likely to be provided through the Financial Advisor. As discussed below, Clients with assets with TPMs or in Outside Investment Monitoring programs typically pay fees directly to other parties as well as to Summit.

Since Summit began providing these services, it has had other legacy advisory fee schedules in effect, which may be higher than described below. As new advisory fee and program schedules are put into effect, they are made applicable only to new Clients and fees to existing Clients are not affected. Therefore, some existing Clients pay different advisory fees than shown below.

#### **The maximum advisory fee for the programs is 1.50%.**

Summit's advisory fees for all programs are included in the written Investment Management Agreement between Summit and the Client. As noted above, advisory fees are negotiable at the sole discretion of Summit. Summit may also charge an upfront "placement fee" for the initial allocation, which amount is not included in the annual maximum. If such fees are charged, they will be noted on a written agreement with the Client.

For SEI MAS, Envestnet and some other TPMs additional fees are covered in agreements directly between the Client and the TPM.

For information regarding the fees charged in connection with Summit's wrap fee programs, please see Summit's Wrap Fee Program Brochure.

### Summit Program Fee

As noted above, persons who participate in any of the programs described in Summit's Wrap Fee Program Brochure also pay an annual program fee. Clients in the SEI programs, the Envestnet program, or the AssetMark/Genworth program do not pay a program fee to Summit, and only pay an advisory fee to Summit although they pay other fees to the platforms and third-party managers.

Although part of the SAA or FMA program, assets in Wealth Manager-Directed Non-Discretionary or Wealth Manager-Directed Discretionary programs are not subject to Summit's program fee.

### Additional Fees for TDS Managed Portfolios

Clients invested in the TDS Managed Portfolios are also charged a monthly platform fee of \$20/month by the custodian, Nationwide Mutual Insurance Company ("Nationwide"). In addition, a "Low Cost Fund Platform Fee" up to 0.35% annually on the contract value invested in certain underlying investments will be charged by Nationwide. Please see Nationwide's prospectus and Statement of Additional Information for the variable annuity used in connection with the TDS Managed Portfolios for more information. These documents can be provided by the Client's Financial Advisor.

### Additional Fees for SAA and FMA Assets that are not part of Summit's Wrap Program

For details regarding any additional fees, including, but not limited to, trading commissions and service fees, charged by the broker-dealer executing trades in these SAA and FMA programs, Clients should reference the broker-dealer's fee schedule, which Clients can obtain from their Financial Advisor or the broker-dealer.

### Additional Envestnet Fees

In addition to the advisory fee noted above, for Envestnet, Clients are charged a "Custody Fee" designed to cover the cost of brokerage in the Client's account, as well as a "Sponsor Fee." Additional information can be found in the Envestnet Direct Program Fees schedule provided to Clients.

### ***Payment of Advisory Fees and Program Fees***

Summit's advisory fees for the TDS Managed Portfolios are deducted from a bill-to account and/or invoiced to the Client. They are assessed quarterly in advance based on quarter-end values.

For SAAs and FMAs that are not custodied at NFS, Summit typically calculates and deducts the advisory fees and program fees directly from the Client's custodial account quarterly in advance based on the average daily value of the assets under management during the immediately preceding quarter.

For SEI programs, program and management fees are calculated daily and payable in arrears net of any income, withholding or other taxes. Summit's fee is calculated and paid monthly, in arrears, based on the month end balance of the account.

For Envestnet programs, Clients should review their Statement of Investment Selection for information regarding billing terms.

For Outside Investment Monitoring Accounts, advisory fees and program fees can be charged however determined by the Client. Some outside investment advisers deduct Summit's advisory fees and program fees; other Clients designate a bill-to account.

For Retirement Plan Advisory services, advisory fees are charged pursuant to the terms of the agreement. Fees may be negotiable depending on the size and complexity of the Plan.

Summit does not require or solicit Clients to prepay fees of more than \$1,200, six months or more in advance. For information regarding how to obtain a refund of a pre-paid fee if the IMA is terminated before the end of the billing period, and how any refund will be determined, please refer to your IMA or speak to your Financial Advisor.

For the primary TPMs used by Summit, the Client pays separate fees to those managers and to Summit (although both fees may be deducted from the assets managed by the TPM and held at the qualified Custodian). This fee will appear on the statement issued by the Custodian as a management fee. In some cases, for TPMs and for SAAs and FMAs that are not custodied at NFS or one of the Additional Qualified Custodians, the Client may direct Summit to deduct advisory fees and, if applicable, program fees, from a separate account at NFS or one of the Additional Qualified Custodians. Clients are advised to review the investment advisory brochures and applications/contracts/agreements with the TPMs and/or sponsors of the investments for complete information on how fees are charged by such parties because their processes for charging fees may change from time to time. Moreover, since Financial Advisors can negotiate their own fee arrangements, some Clients pay flat rates for services rather than asset based charges, which are deducted differently. If you have questions about a particular account or Custodian, please contact your Financial Advisor or us at [compliance@sfr1.com](mailto:compliance@sfr1.com).

### ***Fees for Financial Planning Services***

Summit's financial planning fees are negotiable and are generally determined based on the nature and extent of the services being provided, the complexity of the Client's circumstances, as well as the other aspects of the Client's current and historical relationship with the Financial Advisor. All fees are agreed upon prior to entering into an Agreement with any Client. Fees are payable by check in advance and may change depending on whether or not new complexities present themselves. Summit does not require or solicit Clients to prepay fees of more than \$1,200, six months or more in advance. Any changes made to a financial planning fee will be discussed with Clients in advance, and a new agreement will be signed to reflect the changes. The fees for financial planning have generally ranged from \$2,000 to \$25,000, depending upon the complexity of the Client situation. The fees charged to a Client for preparation of financial planning services are paid to Summit and a portion of the fees is paid to the Financial Advisor. If a Financial Advisor discusses matters relating to planning with a Client's tax or legal consultants per the Client's request, the Client may be charged a separate fee by those consultants. There is no minimum dollar value of assets or other conditions required of a Client to receive these services. In the event the Client is not satisfied, the Client may request a fee refund and any unearned portion will be refunded.

### ***Other types of fees and expenses***

Clients are responsible for the payment of all third party fees, if applicable, including but not limited to Custodian fees, brokerage fees, platform fees, wire fees, inactivity fees, foreign transaction fees, margin interest, liquidation fees, ACAT fees, regulatory fees, which are separate and distinct from the



fees and expenses charged by Summit and do not offset the advisory fees charged. Please see Item 12 – Brokerage Practices of this brochure regarding broker/Custodian. TPM's and subadvisors reserve the right to liquidate securities in Client account on a discretionary basis to cover unpaid fees.

The Custodians for the SAAs, FMAs, TPMs and sponsors for other investments (such as hedge funds, REITs, variable annuities, *etc.*) impose other charges. As noted throughout, Clients are encouraged to review all documentation provided by those TPMs and sponsors for full and current details regarding their practices. When SEI is used as the Custodian for the SAA or FMA Wealth Manager-Directed accounts within the two SEI programs, Clients will incur transaction charges

Each case will vary so please contact [compliance@sfr1.com](mailto:compliance@sfr1.com) or your Financial Advisor if you have any questions.

Additionally, all pooled investment vehicles, including mutual funds, ETFs, REITs, hedge funds, MLPs, and UITs, as well as variable annuities and variable life insurance, have their own internal operating fees and expenses that Clients must pay. These fees and expenses are disclosed in each security's offering documents and vary considerably. These fees and expenses often include operating expenses, management fees, redemption fees, 12b-1 fees, distributor fees, offering fees, administrative fees, concessions and other fees and expenses and increase the expense ratio of the investment. These fees are in addition to the fees charged by Summit.

If Clients transfer in B or C share classes of mutual funds and if such shares are liquidated after being transferred to Summit, those shares will incur contingent deferred sales charges (CDSC) from the mutual fund company if they are within the CDSC holding period. Many direct investments are alternative investments which often incur higher costs than many traditional securities such as equities, mutual funds and ETFs. Some, such as hedge funds and private equity funds, also charge incentive or performance fees. Variable annuities and variable life insurance also charge mortality and expense charges, administrative charges, sub-account investment management fees and other applicable fees associated with sub-account options. Summit encourages all Clients to closely review the offering documents for all such investments with their Financial Advisors and to consider the aggregate costs.

Additionally, Schwab has also eliminated commissions for online trades of equities, ETFs and options (subject to \$0.65 per contract fee. This means that, in most cases, when we buy and sell these types of securities, we will not have to pay any commissions to Schwab. We encourage you to review Schwab's pricing to compare the total costs of entering into a wrap fee arrangement versus a non-wrap fee arrangement. If you choose to enter into a wrap fee arrangement, your total cost to invest could exceed the cost of paying for brokerage and advisory services separately. To see what you would pay for transactions in a non-wrap account, please refer to Schwab's most recent pricing schedules at [schwab.com/aspricingguide](http://schwab.com/aspricingguide).

Clients should contact their Financial Advisor or [research@sfr1.com](mailto:research@sfr1.com) with any questions about particular products.

### ***Outside Compensation for the Sale of Securities to Clients***

Summit endeavors to use the lowest cost mutual fund share class available to the Client. Many mutual fund companies have offered newer, lower-cost share classes in recent years that are available to fee-paying advisory Clients. Summit periodically reviews its holdings in order to convert higher cost

shares to lower cost shares, if available, and endeavors to offer Clients the lowest eligible share class. Even so, Summit cannot ensure that all Clients will hold the lowest cost shares at any given time. Further, some TPMs are more careful about utilizing the lowest cost share class than others.

As part of financial planning, a Financial Advisor may recommend changes to a Client's insurance coverage. If Clients request their Financial Advisor to assist them in implementing the recommendations in financial planning, the Financial Advisors, in their capacity as insurance agents, may suggest insurance products, which will generate commissions to them. Most of Summit's Financial Advisors have the ability to place insurance as brokers through many insurance companies, including American International Group, Guardian, Lincoln National, MetLife, New York Life, Penn Mutual, Principal, Prudential and William Penn and/or as agents or brokers of Mass Mutual. The Financial Advisors often access these insurance products through SRM, which operates as a Mass Mutual General Agency, or through unaffiliated agencies, including ASH Brokerage and Stonegate Brokerage, among others. Even though the insurance products are typically not included in an advisory program, Clients are advised that some of these insurance carriers pay allowances and benefits to some of the agents and brokers (which include trips, training support, educational conferences among other benefits), which vary considerably from year to year. Mass Mutual regularly supplements these benefits by paying SRM and the Financial Advisors (who are insurance agents) additional allowances and benefits (including subsidies on health insurance and retirement contributions). All of these allowances and benefits are customary in the industry and are in addition to the commissions generated on insurance sales and are based on the volume of business they conduct on an annual basis. These payments are significant to the revenue of the Summit affiliates and to the Financial Advisors. Although this arrangement creates a conflict of interest and incentivizes Financial Advisors to recommend that Clients use Mass Mutual or other insurance carriers which provide higher compensation, Financial Advisors who sell insurance recommend insurance carriers based on what they believe is appropriate for the Client. Summit's Director of Insurance also monitors insurance recommendations to mitigate these conflicts.

If there is little or no trading activity in an account, a Client will pay more in advisory fees than commission charges if the account were a brokerage account.

#### **Item 6. Performance-Based Fees and Side-By-Side Management**

Not applicable. Neither Summit nor any of its supervised persons accept performance-based fees.

#### **Item 7. Types of Clients**

Summit primarily provides investment advice and/or management supervisory services to the following types of Clients:

- Individuals and personal trusts
- High Net Worth Individuals
- Corporations and/or Business Entities
- Pension & Profit Sharing Plans
- Charitable Organizations

### ***Minimum Account Size***

The minimum account size for TDS Managed Portfolios is \$100,000, which can be waived at Summit's discretion. There is no minimum account size associated with the SAA or FMA programs. Some TPMs have minimums of \$25,000 to \$1,000,000. Any minimum account size is outlined in the IMA entered into by the Client. Exceptions to minimum account size requirements may be negotiated.

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

### ***Methods of Analysis***

As discussed in Item 4, Summit and its IARs primarily recommend or select investments in ETFs and mutual funds in the SAA, FMA and Managed Portfolios programs. They also recommend certain outside managers in the TPM program. The analysis for these securities and managers is conducted in the following way.

*Managed Portfolios and Certain TPMs* - Members of the IMC conduct due diligence on securities, investment managers and strategies for the Managed Portfolios and certain TPMs. While various sources of information may be used, the IMC's principal sources of information include fund databases; (ii) financial publications; (iii) management interviews and contacts; (iv) industry trade association statistics; (v) government data; (vi) capital markets data; and (vii) third party research materials that analyze the overall investing landscape as well as specific market sectors and strategies. As appropriate, the IMC also reviews materials supplied by the investment managers including annual reports, factsheets, presentations, fund prospectus/offering memorandum, performance and related investment data, if available. When reviewing the investment strategy and process, performance, risk management and expenses of a prospective investment manager, the IMC evaluates some or all of the following items, among others:

- Are the assets under management large enough to efficiently manage a diversified portfolio but small enough to navigate supply constrained market sectors;
- Is there a stable investment team with the experience and depth required by the investment strategy;
- Is there consistency of the investment objective and the strategy followed;
- Is there a clearly defined investment style and management process;
- Is there a well-designed benchmark index (*e.g.*, universe of securities, weighting methodology);
- Does the organization have a disciplined management of risk exposures (*e.g.*, market, interest rate, credit, inflation, currency, liquidity);
- Is there attractive absolute and risk-adjusted performance, consistent with return and risk objectives. A track record from a different but similar investment vehicle may be used to evaluate performance;
- Are volatility and returns during market drawdowns consistent with risk exposures;
- Are there positive or neutral supply/demand trends and investor sentiment;
- Are the investment characteristics (*e.g.*, geography, industry sectors, valuation, capitalization range, credit quality) consistent with the investment mandate;
- Are the types of securities that may be held in the portfolio sufficiently liquid and well understood (*i.e.*, in line with the specific mandate);
- Are the costs, including management fees, operating expenses, sales fees and

administrative expenses, marketing expenses, etc., reasonable (*i.e.*, moderate or low for the specific mandate); and

- Is the product structure attractive and what are the potential tax implications.

*SAA, FMA and SEI Mutual Fund Portfolios* – Given the number of IARs providing advice at Summit, the methods of analysis, investment strategies and investment selections will vary based upon the individual Financial Advisor providing the advice. As noted in Item 4, in the SAA, FMA and SEI Mutual Fund Portfolios programs, Financial Advisors are not limited to using securities that have been reviewed by the IMC. Financial Advisors may conduct their own research and due diligence when making a securities recommendation. Several tools available to Financial Advisors include (i) Morningstar; (ii) Fi360; (iii) Bloomberg; (iv) financial publications; and (v) other sources to construct portfolios and research track records and fundamentals regarding the particular securities recommended.

### ***Investment Strategies***

Certain strategies and securities pose risks to Clients, as detailed below.

*ETFs:* Shares in an ETF can be traded throughout the day on an exchange and are bought and sold at a market price that may differ from Net Asset Value (NAV). When conducting due diligence on ETFs, members of the IMC review additional data on liquidity and trading costs, often including:

- Tracking error versus the benchmark index (for passive ETFs);
- Premium/discount between the market price of the shares and NAV;
- Bid/ask spread; and
- Trading volume.

*Active Strategies:* Active investment strategies (including open-end mutual funds and certain TPMs) seek to outperform a benchmark by selecting a portfolio of securities that differs from the benchmark portfolio. Active strategies involve manager risk and are typically more expensive than passive strategies that track benchmark indices. When conducting due diligence on active strategies, members of the IMC typically participate in a conference call, on-site meeting and/or meeting in Summit's offices with a member of the investment strategy's portfolio management team. Factors evaluated by members of the IMC during the due diligence process include:

- Understanding the investment guidelines and discretion given to the investment team;
- Understanding the current risk/reward environment for taking on active risk exposures;
- Reviewing performance versus a universe of similar strategies;
- Considering investment techniques that may be used (*e.g.*, leverage, derivatives, shorting);
- Reviewing whether return premium compensates for active portfolio management and trading expenses.

The IMC looks at the experience and track record of the manager of each mutual fund and ETF as well as certain TPMs in an attempt to determine if that manager has demonstrated reasonable results and an ability to invest over a period of time and in different economic conditions. The IMC also monitors these mutual funds, ETFs and TPMs in an attempt to determine if they are continuing to follow their stated investment strategy. A risk of mutual fund, ETF or TPM analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful

may not be able to replicate that success in the future. In addition, as the IMC does not control the underlying investments in a mutual fund, ETF or TPM, managers of different funds held by the Client may purchase the same security, increasing the risk to the Client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the mutual fund, ETF or TPM which could make the holding(s) less suitable for the Client's portfolio.

*Master Limited Partnerships (MLPs):* MLPs are limited partnerships that are publicly traded on exchanges. Many MLPs provide exposure to a commodity-related industry such as oil and gas. Unlike ETFs and mutual funds, which provide exposure to a basket of issuers and are managed by a professional investment manager, MLPs are individual operating companies, much like equities. Not all MLPs are profitable or pay distributions to investors. The Summit investment team screens the universe of MLPs to identify large, liquid securities that pay distributions.

*Investment Platform Due Diligence -TPMs:* Summit and its Financial Advisors also recommend some investment platforms that provide integrated portfolio management, administration and reporting. These investment platforms typically offer asset allocation portfolios designed to meet different investment objectives and a broad array of separately managed accounts (SMAs) and investment funds. These platforms are supported by investment specialists in asset allocation, portfolio construction and manager due diligence as well as technology platforms that facilitates custody, trading, tax management and reporting.

While members of the IMC conduct due diligence on the investment platforms to validate their business models, ability to identify and access attractive investment managers to the platform and the costs of the platform compared to direct investments, the IMC typically does not conduct diligence on the actual TPMs offered on the platform. When conducting due diligence on investment platforms, members of the IMC typically participate in a conference call, on-site meeting and/or meeting in Summit's offices with a member of the management team. The investment platforms offer a wide spectrum of investments with different asset classes, strategies and risk exposures. Depending on the TPM's internal due diligence processes, the IMC often relies heavily on the due diligence performed by the investment platforms and often conducts additional screening on the TPM's available investments to identify strategies that are suitable for a particular Client's objectives, risk tolerance and other preferences.

### ***Alternative Investment Strategies***

Alternative investments such as non-traded REITs, partnerships, hedge funds and fund of hedge funds may only be offered through a Summit advisory platform such as SAA.

*Non-Traded REITs/Partnerships:* Non-traded REITs and partnerships have limited liquidity with no available market price and the underlying properties are valued infrequently. In addition, management practices differ markedly from public REITs. Dividends may be paid out of offering proceeds and borrowing if operating cash flow is not sufficient. The property portfolio is typically a "blind pool," that is, built up over time. When conducting due diligence on non-traded REITs and partnerships, members of the IMC typically participate in a conference call, on-site meeting and/or meeting in Summit's offices with a member of the REIT's or partnership's management team. Factors typically evaluated by members of the IMC during the due diligence process of non-traded REITs and partnerships include:

- Sponsor/advisor track record managing prior REITs/partnerships through a successful liquidity event;
- Conflicts of interest that may result from the relationship between the REIT/partnership sponsor and the advisor;
- Other real estate investments controlled by the sponsor that may compete for new acquisitions or tenants;
- Pace of capital raising and expected timeframe until the offering is closed to new investments;
- Size and timing of the management team's investment;
- Investment opportunity (*e.g.*, supply/demand trends, valuation of private vs. public markets);
- Timing of the investment in the commercial real estate market cycle and current capitalization rate trends;
- Diversification and quality of property portfolio (*e.g.*, occupancy rate, average remaining lease terms, tenants credit quality);
- Investment limits (international properties, leverage) are reasonable;
- Leverage is in line with industry peers;
- Ability to sufficiently access capital markets for financing needs;
- Dividends are materially covered by Modified Funds From Operations (MFFO);
- Dividend payments are consistent with capitalization rates provided by the underlying investments and target leverage;
- Offering, operational and liquidation fees are not excessive and are competitive with evolving industry practices.

*Alternative Fund of Funds:* Hedge funds and commodity pools are complex investments that often entail greater risks than traditional investments. Hedge funds and commodity pools may utilize a variety of techniques including the use of leverage, derivatives and short sales and may exhibit a wider range of returns than traditional investments. In addition, hedge funds and commodity pools may invest in less liquid investments, have investment terms that limit liquidity and charge higher fees including performance-based fees.

Summit typically recommends alternative funds of funds that research, select and build portfolios of underlying funds, thereby providing an added layer of due diligence compared to investing in funds directly. This approach provides exposure to a diverse group of managers and strategies that may help to mitigate manager risk. Fund of funds typically charge a layer of fees that are in addition to the fees charged by the underlying managers. Members of the IMC conduct due diligence on alternative fund of funds to identify specialist teams that have appropriate knowledge of the universe of managers and strategies, good relationships with alternative managers and a portfolio construction and manager selection process that is consistently applied. When conducting due diligence on alternative fund of funds, members of the IMC typically participate in a conference call, on-site meeting and/or meeting in Summit's offices with a member of the portfolio management team. Factors typically evaluated by members of the IMC during the due diligence process include:

- Criteria for hiring and firing managers;
- Frequency of manager turnover;
- Trends in assets under management;
- Fee arrangement with the underlying funds;

- Portfolio construction and rebalancing;
- Views on identifying and managing commonalities between managers (*i.e.*, position or overlap exposure);
- Understanding of the current risk/reward environment for taking on active risk exposures;
- Performance versus a universe of similar strategies;
- Investment tools that may be used by the underlying funds (*e.g.*, leverage, derivatives, shorting);
- Return premium that compensates for the additional layer of fees;
- Operational controls; and
- Major service providers (*e.g.*, accounting, auditing, administration).

*Investment Platform Due Diligence—Alternative Investments:* Summit and its Financial Advisors also recommend investment platforms that provide access to alternative strategies such as hedge funds. These platforms are supported by a deep bench of alternative investment specialists that conduct due diligence encompassing the investment and operational risks of the investment funds available on the platform. In some cases, these efforts are outsourced by the platforms to third parties. This independent due diligence bolsters the efforts of the IMC. These platforms provide access to alternative investments that are sometimes only directly available to large institutional investors and utilize technology that facilitates investment execution and reporting. Members of the IMC conduct due diligence on alternative investment platforms to validate their business model, ability to access attractive hedge funds to the platform and the costs of the platforms compared to direct investment. This review covers platform documents, the due diligence reports provided by the platform, fund performance and investment terms such as fees and liquidity. When conducting due diligence on alternative investment platforms, members of the IMC typically participate in a conference call, on-site meeting and/or meeting in Summit's offices with a member of the management team. The IMC may select a small group of investment funds with specific characteristics from the larger universe of funds available on the platform.

### ***General Risks***

Although the IMC and Financial Advisors consider many risks before recommending a security or investment manager to Clients (or investing on their behalf), there are a myriad of circumstances that may cause investments to lose value. Their assessment of any investment manager or security's likely future performance is inherently a prediction and it is subject to uncertainty and risk that the outlook might prove wrong. An outcome contrary to what the IMC or Financial Advisor anticipated may arise from a number of factors, such as: an erroneous assessment of the value offered by the investment manager/security, a change in strategy by the selected manager, market changes, unanticipated changes to interest rates or the tax code, among others.

Summit's IMC and Financial Advisors invest in and recommend securities they believe to be appropriate for the Client based on an understanding of the Client's investment objectives and risk tolerance. Summarized below are relevant risks broadly relating to the types of securities Summit primarily invests in for Client assets; however, securities may be subject to additional risks specific to that security or issuer. Clients are strongly encouraged to review the prospectus disclosures and offering documents relating to the securities held in their portfolios if they have any questions, as these documents discuss in more detail the risks relating to the particular investment. Additional information regarding the general characteristics and risks relating to the types of securities that Summit primarily

recommends for Client assets are explained in Summit's "Product Risk Disclosure" document posted on Summit's website at [www.SummitFinancial.com](http://www.SummitFinancial.com). Clients with additional questions regarding a particular security should contact their Financial Advisor.

If there is little or no trading activity in the account, a Client will pay more in advisory fees than commission charges than if the account was a brokerage account.

### ***Specific Risks***

Clients participating in the Managed Portfolios program should understand the underlying holdings within the Managed Portfolio (mutual funds and ETFs) involve risk and the potential of loss. Money markets used in Managed Portfolios are generally considered low risk but are not guaranteed and may be subject to loss and or change in market value. Mutual funds and ETFs often provide diversification but may be concentrated in a particular asset category or class within a category. Investments in funds impose risk due to exposure to economic forces or factors for which the future is uncertain. Some of these are unique to individual funds, but many are common to many funds. A fund's risk depends on how closely its return is coupled with given indexes, the riskiness of each index and how closely the indexes tend to move together.

The level of overall investment market diversification will vary depending on the Managed Portfolio(s) used as well as the underlying exposures of the underlying funds or MLPs. The risk in a Managed Portfolio or collection of Managed Portfolios is a function of the underlying asset classes utilized. Further, all investment strategies involve risk and the investment performance and success of any strategy cannot be predicted or guaranteed. Past performance should not be used to forecast future results.

Hedge funds are speculative in nature and may use leverage or other aggressive investment practices. As a result, Client returns may be highly volatile, and Clients may lose all or a portion of the investment in the fund. Clients who invest in commodities (through hedge funds that specialize in this asset class) should know that commodities are subject to world events, limited liquidity, shifting market preferences, trade signal disruption, supply/demand imbalances, currency movement and many other things that cannot be successfully predicted, but do have a significant impact on future results.

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.

This list of risks is not exhaustive. When Clients invest in mutual funds, ETFs, UITs and newly issued municipal bonds, for example, they receive prospectuses and official statements which identify the risk factors associated with those securities and issuers. Clients are encouraged to review such disclosure documents. Similarly, Clients are encouraged to review the offerings documents for private investments and the investment advisory brochures for all TPMs for additional risk disclosures. Please contact your Financial Advisor or [research@sfr1.com](mailto:research@sfr1.com) if you have questions about your investments.

### **Item 9. Disciplinary Information**

Not applicable. Summit has no legal or disciplinary events to disclose.



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

*LS Securities, LLC ("LSS")* - LSS is a limited purpose broker dealer owned by SFH. LSS does not provide brokerage or other services to any retail customers and has no direct relationship with any of Summit's Clients. PKS pays a referral fee to LSS on the brokerage business that Summit's Financial Advisors conduct in their capacity as RRs of PKS, and some of that brokerage business may be with persons who are also Summit Clients. This means that even though Summit is not involved in the brokerage activity conducted at PKS, even if conducted with Summit Clients, Summit's parent company will profit by the Financial Advisor's brokerage activity. Summit may have a similar arrangement with other unaffiliated broker dealers for new RRs that join Summit that may be RRs of another broker dealer other than PKS. Please contact your Financial Advisor if you have any questions.

*Summit Risk Management, LLC* – SRM is a Delaware limited liability company and is licensed to sell non-securities insurance products and earns commissions or remuneration on such products. No variable insurance products are sold through SRM. Many of the Clients of SRM are also Clients of Summit. Most persons associated with Summit are also associated with SRM. Most Summit Financial Advisors are insurance brokers or agents under an SRM agency relationship.

*Merchant Wealth Management Holdings, LLC* - Merchant Wealth Management Holdings, LLC ("Merchant Wealth"), a subsidiary of Merchant Investment Management Holdings, LLC ("Merchant Investment"), owns a minority, non-controlling interest in Summit Financial Holdings, LLC ("SFH"). Merchant Investment, through subsidiaries other than Merchant Wealth, has ownership interests in various companies that provide investment and other consulting services to financial firms, including investment advisors ("Investment Solutions"). Summit is provided access to use the Investment Solutions by entering into an agreement directly with the third party providing the investment solution. These Investment Solutions may include, but are not limited to, third party money managers, private investments, pooled investment vehicles, or other investment products for which a commission is earned. Engagement of and with these Investment Solutions poses a potential conflict of interest due to the minority ownership interest that Merchant Investment's various subsidiaries own in the third parties providing these Investment Solutions. Through Merchant Investment's minority ownership interests in the third parties that provide these Investment Solutions, Merchant Investment will benefit from additional revenue that is generated when Summit engages any of these third party service providers. In an effort to ensure these conflicts of interest are addressed, Summit has implemented a risk control and disclosure framework, to confirm that Summit at all times selects Investment Solutions that are in line with the Client's investment objectives and in the Client's best interest. Summit is not controlled by Merchant Wealth or Merchant Investment and is operated independently where Merchant Investment and all other related subsidiaries are not involved with the services offered by Summit and maintains its own office space.

*Sextant Securities, LLC* - Summit, in which Merchant Investment has an [indirect] minority, non-controlling ownership interest [through Merchant Wealth], may engage Sextant Securities, LLC ("Sextant"), a Broker-Dealer owned by Merchant Investment, to access certain investment products, which may include, but not be limited to, private equity funds, open-ended and close-ended mutual funds, and other products for which Sextant earns a commission if they are sold (herein "Security Offering"). As a result of Merchant Investment's ownership of Sextant, Merchant Investment may benefit from revenue and/or placement fees received by Sextant if Summit invests any Client funds

into a Security Offering. Accordingly, Summit may have an incentive to invest Client funds into a Security Offering. Neither Summit nor its Financial Advisors will receive any additional compensation for investing Client funds into a Security Offering or Sextant. In addition, there is no requirement for Summit to recommend to a Client a Security Offering offered through Sextant.

Prior to recommending a Security Offering, Summit will conduct appropriate due diligence to ensure that any recommendation to invest Clients funds into a Security Offering aligns with the Client's investment needs and objectives. In addition, Summit will provide additional disclosure information to each Client, which will include relevant details regarding material financial interests and compensation surrounding the Security Offering.

*Maxim Income Opportunity Fund III, L.P.* - Summit may recommend that Clients invest into the Maxim Income Opportunity Fund III, L.P. (herein "Maxim"), a Security Offering of Sextant. Individual owners of Merchant Wealth, in their separate capacity, have material ownership interests in Maxim. As a result, these individuals stand to benefit financially from additional investments made into Maxim and from returns generated by Maxim. These individual owners of Maxim, who also have an indirect ownership interest in Summit, would benefit financially in their individual capacity if Summit invests Client funds into Maxim. Notwithstanding this conflict of interest, Summit and its Financial Advisors will only invest Clients in Maxim if it is suitable and in accordance with the Client's investment objectives.

Maxim invests in non-traded REITs that may be in speculative areas of the real estate market or incorporate debt, which is generally excluded from the investment recommendations made directly by Summit, as disclosed in Item 8 above. Prior to the recommendation of Maxim, Summit conducts appropriate due diligence to ensure any recommendation to a Client to invest into Maxim aligns with the Client's investment needs and objectives.

In addition, Summit will provide additional disclosure information to each Client, which will include relevant details regarding material financial interests and compensation surrounding Maxim. Moreover, neither Summit nor its Financial Advisors will receive any additional compensation for investing Client funds into Maxim. Lastly, there is no requirement for Summit to recommend Maxim to Clients, nor are Clients obligated to invest into Maxim.

### ***Relationships or Arrangements with Related Persons***

As detailed in Item 5 above, in their capacities as insurance brokers or insurance agents, Summit's Financial Advisors receive fees, commissions and other remuneration from non-Clients including insurance companies for their insurance activities. Some of that insurance activity generates revenue to SRM as well. Financial Advisors who are registered with PKS, an unaffiliated broker-dealer, will offer brokerage products, for which such Financial Advisors will receive compensation, in their capacity as RRs of PKS. As noted above, LSS will receive a referral for such business through PKS. Your Financial Advisor's obligations to you when selling insurance or securities differs from his or her obligations to you when he or she is acting as a Financial Advisor through Summit and except as noted herein, Summit does not supervise those activities. You are under no obligation, however, to purchase any other products or services from your Financial Advisor.

*SummitVantage™*

SummitVantage is a brand slogan only used for marketing purposes to identify the services offered by the Summit affiliated firms. It is not an operating entity and offers no products or services. SummitVantage is used in the recruitment and retention of financial advisors.

### ***Selection of Other Investment Advisers***

As noted in Item 4 – Advisory Business, Summit may recommend TPMs as providers of investment management services for Clients. Summit's fee is typically added to the fee charged by the TPM. This relationship and the fees are described in the IMA, and in some programs, an additional agreement between the Client and the TPM. This practice creates a conflict of interest in that the Financial Advisor has an incentive to direct Clients to those managers who provide Summit with a larger fee split. Some TPM programs provide higher payouts to the Financial Advisors than Summit's other advisory programs, but the amount of compensation will depend on the fee agreement negotiated with the Client.

Summit may recommend Piton Investment Management, LP ("Piton") as a TPM. Piton is a SEC-registered investment advisor focusing on fixed income investment management services to institutions and high net worth individuals. Individual owners of Merchant Wealth, in their separate capacity, have ownership interests in Piton. As a result, these individuals stand to benefit financially from additional investments placed with Piton. These individual owners of Piton, who also have an indirect ownership interest in Summit, would benefit financially in their individual capacity if Summit invests Client funds into Piton. Notwithstanding this conflict of interest, Summit and its IARs will only invest Clients with Piton if it is suitable and in accordance with the Client's investment objectives

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

Summit believes it owes Clients the highest level of trust and fair dealing. As part of its fiduciary duty, Summit endeavors to put the interests of its Clients ahead of the interests of the firm and its personnel. Summit has adopted a Code of Ethics that emphasizes the high standards of conduct the firm seeks to observe. Summit personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

Summit's Code of Ethics attempts to address specific conflicts of interest it has identified or that could likely arise. Summit personnel are required to follow guidelines in areas such as prohibitions on insider trading, personal securities transactions, conflicts of interest, gifts, confidentiality and privacy, compliance procedures, certification of compliance, training, record keeping and adherence to applicable securities laws.

Clients may request a copy of Summit's Code of Ethics by contacting (973) 285-3600 or by emailing [compliance@sfr1.com](mailto:compliance@sfr1.com).

### ***Personal Trading Practices***

Summit associated persons are not permitted to acquire beneficial ownership of any securities in an initial public offering (IPO) or purchase any private placements without the prior written approval of Summit's Chief Compliance Officer. Summit does not require pre-clearance for personal securities transactions other than IPOs or private placements.

Summit does not hold or trade securities for its own accounts, although from time to time, Financial Advisors of Summit may trade in securities for their own accounts that they also buy or recommend to Clients, and they also may trade in different securities that they do not feel are appropriate for certain Clients (including related securities, such as warrants or options). The conflict presented in this practice could lead to a Financial Advisor purchasing or selling a security in advance of a Client and/or receiving a better price. Summit monitors such transactions to look for potential conflicts of interest and to reasonably ensure that representatives of Summit transact Client business before their own when the same securities are being bought or sold at or around the same time.

Summit executives are expected to invest in a Merchant offering that will also be offered to Clients that are "qualified purchasers". For the executives that participate in the Merchant offering, there will be compliance procedures in place to ensure that any transactions related to such investments are not in conflict with the positions taken on behalf of the Client. These procedures are to mitigate any potential conflicts.

## **Item 12. Brokerage Practices**

### ***Soft Dollar Arrangements***

Summit does not engage in soft dollar arrangements.

### ***Trade Aggregation***

Transactions for each Client in the TDS Managed Portfolios and the SAA and FMA programs will be effected independently and are not "batched". For trade aggregation practices in connection with TPM programs, Clients should refer to the investment management agreements they enter into with the TPMs, as well as the disclosure brochures for the TPMs.

### ***Best Execution***

Summit maintains a fiduciary duty to seek the best execution pricing available for Client transactions. While best execution is difficult to define and challenging to measure, there is some consensus that it does not solely mean the achievement of the best price on a given transaction. Rather, it is a collective consideration of factors concerning the trade in question. Such factors include the security being traded, the price of the trade, the speed of the execution, apparent conditions in the market and the specific needs of the Client.

Summit's primary objective when placing orders for the purchase and sale of securities for Client accounts is to obtain the most favorable net results taking into account such factors as price, size of order, difficulty of execution and broker skill. Based on these criteria, the firm may not necessarily pay the lowest commission or commission equivalent, as specific transactions can involve specialized services on the part of the broker.

### ***Brokerage for Client Referrals***

Summit has an incentive for Financial Advisors to select PKS as the broker-dealer to conduct brokerage business in furtherance of a financial plan or otherwise, as LSS will receive a referral fee on

such brokerage business. In addition, as stated earlier, most Financial Advisors are also RRs of PKS, an unaffiliated broker dealer, and when acting in their capacity as RRs they will receive compensation for securities brokerage services conducted at PKS.

### ***Selection of Brokers***

Clients in Summit's wrap programs must execute transactions through FBS. For additional information, please see Summit's Wrap Fee Program Brochure.

For some TPM programs, the executing broker is affiliated with the Custodian of the assets. For additional information, please refer to the brochure of the TPM.

### **Item 13. Review of Accounts**

The Managed Portfolios are reviewed on a continuous basis by the IMC. SAAs, FMAs, TPMs, SEI MAS and SEI MF (and Wealth Manager-Directed assets within the SEI programs) are reviewed on a continuous and regular basis by the Financial Advisor providing supervisory services to the account. The Outside Investment Monitoring accounts may be reviewed on a regular or on a periodic basis – as determined by the Client and Financial Advisor at inception of the relationship. Additional reviews are triggered by material market, economic, or political events, or by changes in Client's financial situations, such as retirement, change in employment or marital status, physical move, inheritance or other life events.

Each Client will receive written statements from the Custodian that detail the Client's positions and activity. Many Financial Advisors also provide their Clients with periodic performance reports, which may show performance across multiple accounts within a household. Clients are advised to always compare those reports to the statements provided by the qualified Custodians, which are the official records of the accounts.

### **Item 14. Client Referrals and Other Compensation**

#### ***Economic Benefits Provided by Third Parties for Advice Rendered to Clients***

Summit and its Financial Advisors receive economic benefits from third parties in a number of ways. Please see Item 5 – Fees and Compensation for additional details.

Generally, Financial Advisors are compensated through Summit on a percentage of the advisory fee charged to the Clients' accounts (often referred to as a "grid" or "net" payout). The payout percentage varies based upon the advisory program, service or TPM selected. Moreover, Financial Advisors with higher total revenue generally receive higher "grid" payouts. Most of the revenue paid to Summit from Clients are also split with the Financial Advisors. Additionally, if Financial Advisors recommend insurance in connection with financial planning service to Clients many of the Financial Advisors receive significant allowances from Mass Mutual or other insurance companies, as discussed in Item 5 – Fees and Compensation and in the Financial Advisor Brochure Supplements. SRM receives allowances as well. In connection with most SEI accounts, Summit retains 5% of the advisory fee before applying the Financial Advisor's grid to calculate the Financial Advisor's compensation. In certain limited SEI accounts, Summit retains no portion of the advisory fee before applying the Financial Advisor's grid to calculate the Financial Advisor's compensation and the Financial Advisor's

compensation is based on the entire advisory fee. This variability in Summit's practices with respect to retention of advisory fees creates an incentive to Financial Advisors to steer Clients to programs or services that generate higher revenue to them, although Summit believes the Financial Advisors focus on each Client's specific needs in recommending an advisory program, combination of programs or service. Summit is aware of the conflicts of interest created by the variability in advisory fee compensation across programs and has adopted practices to supervise program recommendations.

Certain Financial Advisors receive other types of support from SEI and insurance companies. Payments from insurance companies are made to Financial Advisors in their capacity as securities or insurance brokers or as insurance agents and are routed through Summit or an affiliate. These payments frequently include reimbursement for marketing costs (such as paying for Client meetings or mailing expenses). These tend to be modest and are often a few hundred dollars. These third-party firms may also pay for travel and attendance at due diligence meetings, conferences, Client relationship building events and other events that benefit the Financial Advisor financially and educate them about the sponsors' products, services and support. These types of reimbursements are intended to result in the Financial Advisor's promotion of their investment products and create an incentive for the Financial Advisors, often acting as RR or insurance brokers/agents, to steer Clients to invest with sponsors who deliver these economic benefits. All of these payments and reimbursements are customary in the industry and are in addition to the commissions generated on insurance sales. Summit and its affiliates are aware of the conflicts of interest created by these payments and have adopted practices to supervise program and insurance product recommendations.

Summit also has agreements whereby it receives solicitation fees for referring Clients' assets to be managed by certain TPMs. The Financial Advisors typically provide advisory services in connection with those assets as well. For additional information and disclosures about solicitor arrangements, please see the written disclosure document you will receive in connection with any referral to a TPM for which a solicitation fee is earned, as well as your investment management agreement with any TPM to whom you are referred.

Summit or its affiliated firms will receive referral payments from banks and other financial institutions as applicable for referring Summit Clients to use their products and services. This includes, bank loans, asset backed securities loans, financial and other such type loans etc. These payments may be in the form of a one-time payment or ongoing trails. Summit will not receive any such payments for Clients that are considered ERISA Plans or under ERISA rules. These referral payments create a conflict of interest because your Financial Advisor may direct you to one firm over another in order to receive such payments. Summit mitigates this conflict on such recommendations and referrals by disclosure in this brochure.

Summit may recommend or require that clients establish brokerage accounts with certain qualified custodians, including Schwab Advisor Services division of Charles Schwab & Co., Inc. (hereinafter "Schwab"), which are registered broker-dealers, members SIPC, to maintain custody of clients' assets and to effect trades for their accounts. The final decision to custody assets with Schwab or other qualified custodians is at the discretion of the Summit client, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. Summit is independently owned and operated and not affiliated with Schwab or any qualified custodians. Schwab, or other qualified custodians as applicable, provide Summit with access to its institutional trading and custody services, which are typically not available to their retail investors. These services generally are available to independent investment advisors on an unsolicited

basis, at no charge to advisors. Schwab, or the other qualified custodian as applicable, services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab, and other qualified custodians as applicable, also make available to Summit other products and services that benefit Summit but may not benefit its clients' accounts. These benefits may include national, regional or Summit specific educational events organized and/or sponsored by Schwab or the other qualified custodians. Other potential benefits if applicable include occasional business entertainment of personnel of Summit by Schwab or the qualified custodian personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist Summit in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of Summit's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of Summit's accounts, including accounts not maintained at the qualified custodian. Schwab, or the qualified custodians if applicable, also make available to Summit other services intended to help Summit manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab, or other qualified custodian if applicable, make available, arrange and/or pay vendors for these types of services rendered to Summit by independent third parties. Schwab Advisor Services and the other qualified custodians may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Summit. While, as a fiduciary, Summit endeavors to act in its clients' best interests, Summit recommendation/requirement that clients maintain their assets in accounts at Schwab or another qualified custodian may be based in part on the benefit to Summit of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab or the qualified custodians, which creates a potential conflict of interest.

As noted above, Summit's parent company receives an economic benefit through LSS for brokerage business that the Financial Advisors conduct in their capacity as RRs of PKS.

### ***Compensation to Non-Advisory Personnel for Client Referrals***

Summit compensates its own Financial Advisors as well as some third parties for Client referrals. Terms of the compensation for third parties are disclosed to the Client at the time of the solicitation and upon request.

### **Item 15. Custody**

The SEC defines custody as holding Client funds or securities, directly or indirectly, or having the

authority to obtain possession of them. Summit is deemed to have custody over Client assets because, among other things, the Clients' authorization in the IMA directs Custodians to accept all instructions from Summit related to such assets. Because it has custody, Summit is obligated to adhere to additional safeguards which include reasonably ensuring Client assets are maintained with a "qualified Custodian" (a legal term by the SEC), notifying the Clients of the name and address of the qualified Custodian (if Summit opens the account), having a reasonable belief the qualified Custodian sends statements no less than quarterly and engaging an independent public accountant to examine those assets on a surprise basis every year. The accountant performing the "surprise" examination will contact some of Summit's Clients to confirm their holdings with those listed on the records of the advisor.

Summit urges Clients to compare the account statements they receive from their Custodian with any performance report or statements Summit or its service providers may create for them.

#### **Item 16. Investment Discretion**

Summit, acting through the CIO, has discretionary authority over the accounts invested in the Managed Portfolios Program. The CIO and the Investment Committee determine the securities to be bought or sold, the amount of securities to be bought or sold and the timing of the purchases and sales of the securities. In FMAs, including the SEI Wealth Manager Directed accounts, the Financial Advisor exercises discretion and determines the securities to be bought or sold, the amount of securities to be bought or sold and the timing of the purchases and sales of the securities.

The exercise of discretion is noted in the investment management agreements and/or the Advisory Program Schedule documents as appropriate, which are signed by the Clients.

#### **Item 17. Voting Client Securities**

Summit will not request or accept voting authority for Clients. Clients will receive proxies directly from the issuer of the security or the Custodian. Clients should direct all proxy questions to the issuer of the security.

#### **Item 18. Financial Information**

Summit Financial Holding, LLC, parent of Summit ("SFH") applied for and received a loan from the SBA PPP Program ("PP Loan") on behalf of each of its subsidiaries including business lines related to Insurance, Brokerage, Financial Planning and Investment Advisory. At the time of applying for the PPP Loan, economic uncertainty due to the COVID-19 virus pandemic (the "Pandemic") significantly impacted the financial service businesses particularly in NJ and NY where most of the Summit firms' businesses take place. We do not consider the receipt of the PPP loan to be a material event to Summit Financial, LLC since we would have continued to meet our contractual obligations to Summit Financial, LLC clients with or without receipt of the PPP loan. The significant financial impact caused by the Pandemic was to Summit's insurance and brokerage business, as well as the ability to take on new financial planning cases and offer technology services to other firms and individuals.

Summit does not require or solicit Clients to prepay fees of more than \$1,200, six months or more in advance.