



## **Wrap Fee Program Brochure**

**March 31, 2023**

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

This wrap fee program 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**

The Wrap Fee Brochure provides information about a variety of topics relating to an Advisor's business practices and conflicts of interest. In particular, this Wrap Fee Brochure discusses wrap fee programs offered by Summit.

### Material Changes

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

### Future Changes

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

At any time, you may view this Wrap Fee Brochure and the current Investment Advisory 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.

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## **Item 4. Services, Fees and Compensation**

### ***About Summit Financial, LLC***

Summit Financial, LLC ("Summit" or "Summit Financial"), a Delaware limited liability company is a successor to Summit Equities, Inc.'s registration under Section 203(g) of the Investment Advisers Act of 1940 ("Advisers Act"). Established in 2018, Summit Financial 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 75.2% by Summit Financial Services, LLC ("SFS"). SFS is owned 33.2% by Stanley Gregor and 46.8% by SE (which has ceased to operate as an investment adviser but still exists as a corporate entity).

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, Summit upholds a duty of loyalty, fairness and good faith towards each Client and seeks to mitigate potential conflicts of interest.

The majority of Summit's Clients use Fidelity Brokerage Services, LLC ("FBS"), which provides brokerage services in connection with Client accounts in the programs discussed in this Wrap Fee Program Brochure (each a "Program" and together the "Programs"), while National Financial Services, LLC ("NFS"), an affiliate of FBS, provides custodial services in connection with such accounts. The majority of Summit's Wrap Fee Accounts are custodied at NFS. In addition, Summit also offers other qualified custodians such as Schwab Advisor Services LLC, Pershing LLC, or TD Ameritrade Institutional (hereinafter referred to as "Additional Qualified Custodians") on its platform 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 their selected qualified custodian via the Advisory Program Schedule attached or incorporated by reference to their Investment Management Agreement ("IMA"). For additional information regarding custodians, please contact your Financial Advisor or Summit at [research@sfrl.com](mailto:research@sfrl.com).

Each advisory relationship at Summit is managed by one or more financial advisors registered with Summit as an investment adviser representative (hereinafter referred to as "IAR(s)" or "Financial Advisor(s)"). The Financial Advisor serves as the primary point of contact between Summit and the Client. The Financial Advisor collects financial information from the Client and based on the Client needs recommends specific advisory services or programs to Client. 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.

Some of the 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 that unaffiliated broker-dealer. All brokerage products offered by the Financial Advisor are provided in their capacity as an RR 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 (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 such companies. Some Financial Advisors have other material business interests as well, as described in their Form ADV Part 2B Brochure Supplement ("Financial Advisor Brochure Supplement.") SRM is an affiliate of Summit and Item 9 - Additional Information 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. 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.

A Financial Advisor with Clients in the Program(s) is compensated by Summit for providing investment advisory and related services. The amount of this compensation varies and may be more than what the Financial Advisor would receive if paid separately for investment advice and such other services. Accordingly, Financial Advisors have a financial incentive to recommend a Program over other investment advisory services provided by Summit. For additional information regarding this conflict, please speak with your Financial Advisor and also see Item 6, Portfolio Manager Selection and Evaluation, Related Persons & Supervised Persons.

This Wrap Fee Program Brochure describes the Programs offered by Summit to existing and new clients. Other advisory services offered by Summit are described in another brochure, Summit's Investment Advisory Brochure, which contains the information required by Part 2A of Form ADV.

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

Summit offers several different asset management programs (each a "Program") to its advisory Clients. For the assets in its Programs, Summit provides continuous and regular supervisory or management services (as defined by the SEC) based on the Client's individual goals, 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 and needs. Many Clients maintain "household" accounts, in which multiple accounts for an individual or members of a

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<sup>1</sup> SE assisted the Financial Advisors who wished to continue to remain registered representatives of a broker-dealer to register with Purshe Kaplan Sterling Investments a broker dealer and member of FINRA and SIPC ("PKS"). PKS is not affiliated with SE or its successors. If the 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 broker dealers.

family are managed jointly to maximize efficiencies. Please note, the term "Client" used herein includes such households and their account(s) are referred to as "Account(s)". 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 is 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 sub-adviser as applicable will exercise discretion in connection with certain Programs, as described below and in the Investment Management Agreement ("IMA") between Summit and the Client. In connection with the non-discretionary services or program, 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.

A Client may choose to give full discretion to Summit and their Financial Advisor to manage a portion or all of their assets. By signing the 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. Summit shall have the power and authority to supervise and direct on a discretionary basis the investments of and for the Account(s) of the Client. The Client grants Summit ongoing and continuous discretionary authority to execute its investment recommendations in accordance with the objectives of the Client as communicated to Summit and/or the Financial Advisor, without the Client's prior approval of each specific transaction or investment. Under this authority, the Client shall allow Summit to purchase and sell securities and instruments in the Account(s), arrange for delivery and payment in connection with the foregoing, select and retain sub-advisors, deduct fees from the Account(s) of the Client, and act on behalf of the Client in all matters necessary or incidental to the handling of the Account(s), including monitoring certain assets.

Summit does not vote proxies on issues held in the Account(s). All transactions in the Client Account(s) shall be made in accordance with the directions and preferences provided to Summit by the Client and include all Accounts designated under one household unless otherwise requested by Client. The Client will execute all required forms related to Summit's trading authority as required by each Custodian. By entering into the aforementioned Discretionary Investment Management Agreement, Client understands and acknowledges that certain Assets in the Account(s) may be invested in strategies or portfolios managed by Summit wherein Summit and/or the Financial Advisor collects additional fees, which creates a conflict of interest. Summit is aware of this conflict of interest created by providing Summit and the Financial Advisor full discretion and has adopted practices to supervise the services provided for discretionary accounts. Client should review these conflicts with their Financial Advisor.

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, as they are based on their 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 designating one or more advisory programs in connection with their IMA with Summit. Some parties that are not affiliated with Summit, such as FBS and AllianceBernstein, L.P. ("AB"), require Clients to enter into additional written contracts directly with such party for the services they provide.

All investments have risk and there is no guarantee that utilizing the asset management 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 accounts 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.

Summit currently offers a variety of Managed Portfolios<sup>2</sup> through its wrap program, some of which are broad, internally diversified Managed Portfolios, while others target a specific industry or market, or a combination of target industry and/or market exposures. The Managed Portfolios primarily use mutual funds and exchange traded funds (ETFs) to achieve various mixes of domestic equities, international equities, fixed income, real asset alternatives and hedging strategies. The Managed Portfolios are generally designed to be tax efficient and are more strategic in nature than tactical. Although Summit has full discretion over all assets managed under the Managed Portfolios Program, it is not uncommon for accounts in the Program to have few or no trades between annual rebalancing. Clients should consider this in deciding whether Managed Portfolios is an appropriate choice for them, in light of the fact that (i) brokerage is included within the cost of the Program and (ii) Clients pay the same wrap fee regardless of the number of transactions. If there are few trades made in a Client's account, then a wrap fee program such as Managed Portfolios would not be a more cost effective option for the Client as compared to non-wrap programs (although Summit does not offer these services as a non-wrap option). If you have any questions, please speak with your Financial Advisor or contact [research@sfr1.com](mailto:research@sfr1.com). All of the securities held within Managed Portfolios have daily liquidity.

Each Financial Advisor works with the Client to develop an allocation strategy best suited to the Client's financial needs and circumstances. Financial Advisors often recommend multiple Managed

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<sup>2</sup> In addition to the Managed Portfolios operated as wrap programs, Summit manages additional Managed Portfolios that do not constitute wrap programs because they are limited to holding insurance dedicated funds. Those non-wrap model portfolios are addressed in Summit's Form ADV Part 2A Firm Brochure.

Portfolios to achieve the Client's goals. Each Managed Portfolio is allocated similarly, but not necessarily identically, for all Clients whose accounts are managed in accordance with that Managed Portfolio and annual rebalancing is done, as necessary, to drive each Managed Portfolio account to desired weightings, as the portfolio may deviate from the target over time. A Client will have an account for the securities underlying each Managed Portfolio, but many Clients have multiple accounts, each of which is allocated in accordance with a different Managed Portfolio to achieve their recommended allocations. Occasionally, a Client requests and Summit permits non-Managed Portfolio securities positions to be maintained in a Managed Portfolio account. This includes, but is not limited to, tax loss harvesting strategies where certain depreciated investments can be sold in an effort to realize a tax loss to offset capital gains and be temporarily replaced by other investments that are not substantially identical (as defined by the IRS) but are otherwise highly correlated. Given the long-term nature of many Managed Portfolios strategies, many Managed Portfolios accounts have little or no activity during a given period.

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

The SAA program enables Financial Advisors to custom design portfolios for Clients, taking into account the Client's financial circumstances. The Financial Advisor does not have discretion over the assets and must get approval from the Client 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 but they are not required to, and some choose to rely solely on their own due diligence regarding the securities or third party managers ("TPMs"). Clients should speak to their Financial Advisor to understand how their Financial Advisor determines which securities to recommend.

Given the long-term nature of many strategies used in the SAA, SAA accounts may have little to no activity during a given period. If there are few trades made in a Client's SAA account, then a wrap fee program such as SAA will not be the most cost-effective option for the Client as compared to non-wrap programs. If you have any questions, please speak with your Financial Advisor or contact [research@sfr1.com](mailto:research@sfr1.com).

Most assets held in connection with the SAA program are custodied at NFS or the Additional Qualified Custodians, but the assets can also be held at an issuer, hedge fund, *etc.* If alternative non-traded investments (such as non-traded REITs or hedge funds) are linked to an NFS or the additional qualified

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<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."



custodian account, the assets may be identified on the custodial statement but the actual securities are often held with and valued by the sponsor of the security. The custodial statements may not segregate these positions separately from securities that are held within the account although they do note that non-traded REITs are "Based on an Independent Appraisal," and hedge funds are "Based on Program Management's Unconfirmed Estimate of Net Asset," or a similar notation is provided. As of December 1, 2022, all alternative investment purchases will occur in SAA accounts.

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. If the assets are custodied at NFS or one of the Additional Qualified Custodians, they are part of Summit's Wrap Fee Programs. Please take note that certain SAA accounts at NFS or at other qualified custodians have been grandfathered in from previous programs as non-wrap accounts, and therefore are not part of Summit's Wrap Fee Programs. Please see Summit's Form ADV Part 2A Firm Brochure for information about SAAs that are non-wrap, including the nature of the advisory services provided, fees and expenses, and discussion of relevant conflicts of interest. Client can refer to their Advisory Program Schedule document, IMA or contact their Financial Advisor to determine if their SAA account is a Wrap or Non-Wrap account.

### **3. Advisor as Portfolio Manager ("APM") / Flexible Managed Accounts ("FMA")**

The APM and FMA programs are similar to the SAA program except that the Financial Advisor has discretion to place trades without contacting the Client for approval. The APM and FMA programs are the same. The FMA program name was updated to APM in 2021; however, both FMA and APM accounts can still be opened.

Direct investments, such as non-traded REITs and hedge funds, are generally not included in APMs or FMAs. 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 these accounts generally include mutual funds, ETFs, 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 Advisor to understand how their Financial Advisor determines which securities to buy and sell. In certain limited instances, a client will be given authorization to trade securities in their own account.

Given the long-term nature of many APM/FMA strategies, an APM or FMA account may have little or no activity during a given period. If there are few trades made in a Client's APM/FMA account, then a wrap fee program such as APM/FMA will not be the most cost-effective option for the Client as compared to non-wrap programs. Some Financial Advisors are more tactical and may trade more often to manage risk and or seek opportunities. There are tax implications to more active approaches and there is no guarantee that these strategies will provide greater returns or lower risk. Clients should discuss the approach with their Financial Advisor. For more information on these fees and the APM/

FMA Program or if you have any questions, please contact with your Financial Advisor or email [research@sfr1.com](mailto:research@sfr1.com).

Assets held in connection with the APM/FMA programs may be custodied at NFS or one of the Additional Qualified Custodians and are part of Summit's wrap fee programs. Certain APM and FMA accounts at NFS, or other qualified custodians, have been grandfathered in from previous programs as non-wrap accounts and are not part of Summit's Wrap Fee Programs. Please see Summit's Form ADV Part 2A Firm Brochure for information about APMs and FMAs that are non-wrap, including the nature of the advisory services provided, fees and expenses, and discussion of relevant conflicts of interest. Client can refer to their Advisory Program Schedule document, IMA or contact their Financial Advisor to determine if their APM or FMA account is a Wrap or Non-Wrap account.

#### **4. Sub-advisory Accounts – Stock Portfolios and the Municipal Bond Program**

Summit also provides access to stock portfolios and a Municipal Bond Program offered by AllianceBernstein, L.P. ("AB") and Parametric Portfolio Associates, LLC ("Parametric"). These subadvisers provide discretionary asset management services to Summit Clients who participate in their program. For the stock portfolios, AB or Parametric will invest in stocks or a mix of stocks and bonds determined by the particular strategy selected by the client. Parametric may use options and/or ETFs in certain strategies.

For the Municipal Bond Program, AB invests the Client's account in municipal bonds that generate income exempt from federal taxes, although some may be subject to the federal alternative minimum tax or state taxes. Clients should consult their tax advisors for additional information as Summit, its Financial Advisors and AB do not provide tax advice. In general, AB seeks to manage volatility and interest-rate risk by focusing on short- to intermediate-term bonds.

AB and Parametric actively manage Client assets and have discretion to buy, sell and trade stock and/or bonds. The Financial Advisor provides continuous and regular review of the assets in the AB and/or Parametric program and may recommend periodic rebalancing. Clients utilizing AB and/or Parametric are advised to review their investment advisory brochures. If you have questions about AB or Parametric or any subadvisor to your accounts, please speak with your Financial Advisor or contact [research@sfr1.com](mailto:research@sfr1.com).

Seeds Investor LLC ("Seeds") was founded by two Financial Advisors of Summit. One founding Financial Advisor is also an indirect owner of Summit's parent company, Summit Financial Holdings, LLC. Seeds is a registered investment advisor with the State of New York that seeks to provide strategies related to ESG investments. Summit Financial Holdings, LLC will also have 8% ownership in Seeds of which 3% vests over time after certain conditions are met. Summit uses Seeds as a subadvisor for clients that are interested in ESG investments and products Seeds provides subadvisory services on assets in several models at Summit that they shall create and manage. Summit's use of Seeds creates a conflict of interest since Summit's parent company has a minority interest in Seeds. Therefore, Summit shall receive revenue from Summit clients that utilize Seeds as a subadvisor in addition to advisory and program fees set forth hereunder. The Financial Advisor founders of Seeds also have a conflict of interest due to their IAR positions at Summit and ownership in Seeds. Please request the related Financial Advisor's Part 2B brochure for the conflicts and the steps taken by Summit to mitigate the conflicts if you are interested in using Seeds as a subadvisor. Please see

Summit fees related to Seeds herein and please see the Seeds ADV for additional details related to fees and costs.

## **5. Cash Management and Fixed Income Program**

Summit also provides access to a Cash Management and Fixed Income Program offered through Piton Investment Management ("Piton"). Piton provides subadvisory services on a discretionary basis to Summit Clients who participate in the Program. Piton's Cash Management program seeks to provide liquidity and preservation of principal by investing the Client's account in high quality short-term instruments. Piton's Fixed Income programs seeks to provide total return by investing the Client's account in high quality short and intermediate duration securities. Cash Management and Fixed Income programs are available that invest in tax-exempt and taxable instruments. Taxable instruments may include U.S. Treasuries, U.S. Government Agencies, Corporates, taxable municipal bonds and U.S. Government Agency Mortgage-Backed securities. Tax-exempt securities may include municipal bonds and Variable Rate Demand Notes (VRDNs). Tax-exempt municipal bonds generate income exempt from federal taxes, although some may be subject to the federal alternative minimum tax or state taxes. Clients should consult their tax advisors for additional information as Summit, its Financial Advisors and Piton do not provide tax advice.

Piton actively manages Client assets and has discretion to buy, sell and trade short-term instruments and fixed income. The Financial Advisor provides continuous and regular review of the assets in the Piton program and may recommend periodic rebalancing. Clients utilizing Piton are advised to review Piton's investment advisory brochures. If you have questions about Piton, please review Piton's ADV and related documents and speak with your Financial Advisor. You may also contact [research@sfr1.com](mailto:research@sfr1.com).

## **6. Customized Options Strategies**

Summit also provides access to a program for Customized Options Strategies offered by SpiderRock Advisors LLC ("SpiderRock"). SpiderRock provides subadvisory services on a discretionary basis over the assets in the program. SpiderRock employs proprietary options-based strategies which can potentially be an efficient means to achieving greater risk-adjusted portfolio returns and enhanced yields. The strategies may also serve as a hedge to certain specific risks inherent in a Client's underlying portfolios. SpiderRock shall have the sole and exclusive responsibility for the making of all investment decisions for the client accounts, including purchase, retention and disposition of securities and assets, in accordance with the client's specified investment parameters and subject to any investment restrictions or limitations. Listed stock and index options are primarily used. SpiderRock may also provide services with respect to the trading of over-the-counter option and swap contracts on behalf of the Client. SpiderRock may also be appointed as collateral manager with respect to collateral assets to be managed in connection with the strategy, which may incur additional fees.

Your Financial Advisor provides continuous and regular review of the assets in the SpiderRock program and may recommend periodic rebalancing. Clients utilizing this strategy are advised to review SpiderRock's investment advisory brochures. For any questions related to this program, Client should see SpiderRock's ADV and related documents or speak with their Financial Advisor or contact [research@sfr1.com](mailto:research@sfr1.com) for additional information.

**7. Third Party Manager – Atria Investments, LLC ("Atria"), also conducting business as Adhesion Wealth Advisor Solutions, Inc. ("Adhesion")**

Adhesion offers investment services on a discretionary basis selected by the clients in the program which may include the selection of a Model Portfolio or Model Allocation, requests for specific actions to be taken in the account, account investing parameters and restrictions, and enrollment in Tax Overlay Portfolio Management (Tax OPM) services. A model portfolio is a recommended set of security purchases or sales via a weighted list comprised of individual securities. A model allocation is an asset allocation in the form of a weighted list of asset classes, a set of Model Portfolios, individual mutual funds and/or ETFs selected for the asset classes, and parameters meant to guide the ongoing implementation of the asset allocation. Tax OPM services seek to minimize negative tax consequences of portfolio management.

Your Financial Advisor provides continuous and regular review of the assets in the Adhesion program and may recommend periodic rebalancing. Clients utilizing this strategy are advised to review Atria Investments, LLC's ("Atria") investment advisory brochures. For further detail related to this program, Client should review Atria's ADV 2A and related documents, and any applicable third party subadvisor's ADV and related documents. For any questions on this program, please contact your Financial Advisor or email [research@sfr1.com](mailto:research@sfr1.com). Certain Adhesion accounts have been grandfathered in from previous programs as non-wrap accounts and are therefore not a part of Summit's Wrap Fee Programs. Please see Summit's Form ADV Part 2A Firm Brochure for information about Adhesion accounts that are non-wrap, including the nature of the advisory services provided, fees and expenses, and discussion of relevant conflicts of interest. Clients can refer to their Advisory Program Schedule document, IMA or contact their Financial Advisor to determine if their Adhesion account is a Wrap or Non-Wrap account.

**8. Quantinno Capital Management LP ("Quantinno")**

Quantinno's strategies seek to deliver innovative investment solutions with consistent tax benefits to help solve complex portfolio management challenges. This often includes a core equity exposure paired with a market neutral, long/short extension that is used to generate tax losses. The extension requires employing modest levels of leverage which can be implemented within a separate account structure. The long side seeks to generate losses from falling prices while the short side will generate losses from rising stock prices. The strategy employs an institutional, systematic fundamental investment engine which also aids with risk management. In addition to the DEALS Core and DEALS Overlay strategies, Quantinno can help transition legacy holdings in tax efficient manner through the DEALS Legacy strategy and concentrated stock diversification through the DEALS Exchange program.

**9. Alternative Investments Held Directly ("AID")**

The AID Program enables your Financial Advisor to recommend Alternative Investments based on your needs and circumstances. These are held directly at the issuer, not at one of Summit's qualified custodians, but may be shown on your custodian statement. You must approve each recommended transaction. All assets are subject to regular and continuous supervision or management. Liquidity, custody and other features of Alternative Investment are detailed in the offering documents that you sign with the issuer, platform manager or other third party. Certain AID accounts have been grandfathered in from previous programs as non-wrap accounts and are not part of Summit's Wrap Fee

Programs. Please see Summit's Form ADV Part 2A Firm Brochure for information about AID accounts that are non-wrap, including the nature of the advisory services provided, fees and expenses, and discussion of relevant conflicts of interest. can refer to their Advisory Program Schedule document, IMA or contact their Financial Advisor to determine if their AID account is a Wrap or Non-Wrap account.

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

In its provision of investment advice and asset management, Summit utilizes various types of securities including, but not limited to, mutual funds, ETFs, equities, UITs, fixed income, hedge funds, private placements, traded and non-traded REITs.

Summit offers the same suite of services to all of its Clients. However, each Financial Advisor determines, based on his/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 the 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 from properly servicing the Client's account, or if the restrictions would require Summit to deviate from its standard platform of services, particularly with respect to the Managed Portfolios, Summit reserves the right to end the relationship.

If there is little or no trading activity in the account, a Client will pay more in wrap fees than if the account were not a wrap fee account or if the account were a brokerage account. As Summit absorbs certain transaction costs in wrap fee accounts, Summit may have a financial incentive not to place transaction orders in those accounts since doing so increases its transaction costs. Thus, an incentive exists to place trades less frequently in a wrap fee arrangement. Summit does not charge its clients higher advisory fees based on their trading activity, but clients should be aware that it has an incentive to limit its trading activities in the clients' account(s) because it is charged for executed trades.

Summit provides Clients access to choose from a number of Qualified Custodians. Each Qualified Custodian offers Clients a different fee schedule or certain discounted rates which could be more or less than rates from other Qualified Custodians. Certain Qualified Custodians offer better pricing for Summit Clients as their fees are based on the amount of assets it receives through Summit. The differing fee schedules can result in certain conflicts of interest and issues that present the appearance of a conflict of interest. Summit has incentive to recommend one Qualified Custodian over another to receive better rates and certain services for its Clients. Therefore, to mitigate this conflict, the Summit Financial Advisor will review the Qualified Custodian's platform with the Client to ensure the Client selects the appropriate one that will be best suited to meet the Client's needs, factoring in the fees, investment offerings and available services.

### *Administrative, Execution and Clearance Services*

Clients participating in the asset management programs are required to enter into an agreement with FBS or one of the Additional Qualified Custodians to open a brokerage account that will hold the assets of the Client's portfolio. The majority of Summit's Wrap Fee Accounts are custodied at NFS. For those accounts, with the exception of some fixed income trades in the SAA, FMA and APM Programs, and the fixed income trades in the Municipal Bond Program (further information about all such programs in this regard is provided below), all orders for the purchase or sale of securities in Client portfolios will be introduced by FBS to NFS and settled and cleared by NFS. By trades being directed in the foregoing manner, FBS will not be able to: (i) select broker-dealers on the basis of price or other attributes; (ii) negotiate commissions (or mark-ups or mark-downs on fixed income and other securities) or impact or improve the price or quality of the services provided by broker-dealers other than NFS; or (iii) aggregate or "batch" orders for purposes of execution with orders for the same securities for other accounts managed by Summit other than for other accounts also custodied or cleared through NFS. Summit periodically evaluates the execution services of FBS to determine the extent to which Clients receive best execution and price improvement and to review that such services provided by FBS remain competitive and are in the best interest of the firm's Clients. Summit does not receive any investment research and/or services in connection with directing orders to FBS.

Some Financial Advisors route fixed income order flow to prime brokers in connection with the SAA, FMA and APM programs. Within the Municipal Bond Program, AB routinely routes orders to brokers other than FBS where it believes it will achieve best execution. For additional information about AB's brokerage practices, please see AB's Form ADV Part 2A Firm Brochure. These practices are subject to certain conflicts of interest which are discussed in further detail below.

Summit typically aggregates Clients' purchase and sale orders for securities held (or to be held) in the Managed Portfolios Program and then transmits "batched" orders in an effort to reduce market impact and to obtain best execution. When an order is so aggregated, the actual prices applicable to the aggregated transaction will be averaged and the account and each other account participating in the aggregated transaction shall be treated as having purchased or sold its portion of the securities at such average price. Where the batched order is not filled in its entirety, Clients will be deemed to have purchased or sold a proportionate share of the securities involved unless otherwise warranted by particular circumstances, such as residual position size. In some cases, aggregating orders adversely affects the size of the position obtainable, and in some cases, Clients would receive better price execution if they did not participate in a batched order. Trades are not typically aggregated or batched in the SAA, FMA or APM Programs. Generally, AB aggregates or batches Client trades in the same securities in connection with the Municipal Bond Program. Please see AB's Form ADV Part 2A Firm Brochure for additional information regarding AB's practices in this regard.

It should be noted that Summit has incentive to direct Clients to select certain Qualified Custodians to provide brokerage and clearing services and custody for their Accounts. Based on the amount of assets placed with some Qualified Custodians, Summit receives transition and/or support services payments from the Qualified Custodian as an incentive to place more assets with them. In addition, pursuant to a transaction-based fee schedule with Summit, some Qualified Custodians also offer to waive commissions. This waiver applies to transaction fee-based accounts only. Commission free trading applies on domestic stocks and ETFs, domestic options and transaction fee mutual funds in accounts with assets under management over \$1 million or that have been set up for full eDelivery. (Clients do

not pay ticket charges on transactions and the cost of their brokerage is included in the wrap fee for the Program they select.)

Clients should be aware that Summit will not reduce the wrap fee for any Program by the value of the waiver. Based on these waivers, Summit is incentivized to focus on portfolios of ETFs and stocks, as well as No Transaction Fee ("NTF") mutual funds instead of other mutual funds and securities that Summit is charged a transaction fee. Many funds charge additional transaction costs or have higher custodial charges for transactions for which the customer would not be receiving the recommended share class for. Summit's IMC manages this conflict by selecting the lowest cost share class for all mutual funds. For Financial Advisor managed accounts, Financial Advisors have the ability to recommend the lowest cost share class or ETFs and are not disincentivized from these recommendations. After the expiration of this NTF waiver period, Summit will have an incentive to minimize Clients' overall trade volume in all securities because it will be responsible for paying the ticket charges incurred in connection with all trades placed with and executed through the participating Qualified Custodians.

Summit has an incentive not to recommend certain types of securities because of the higher ticket charges that would be incurred. For example, Summit will not be charged in connection with Client orders in certain funds affiliated with the Qualified Custodian that participate in their No Transaction Fee ("NTF") program but will be charged for the purchase of shares in no-load or load-waived, non-affiliated mutual funds that do not participate in the NTF program, and charged an additional fee for purchases of shares in the non-NTF mutual funds that do not pay a servicing fee to the Qualified Custodian (including both asset based or position based servicing fees) for such fund or share class ("Non-Participating CUSIPs"). This pricing structure creates a conflict of interest and provides Summit with an incentive to recommend the Qualified Custodian's affiliated funds and NTF program funds over other mutual funds. In addition, Summit will be charged transaction charges per trade with respect to exchange traded funds ("ETFs") other than iShares ETFs and certain affiliated ETFs; this creates a similar conflict of interest and provides Summit with an incentive to recommend iShare ETFs and the Qualified Custodian's affiliated ETFs over other ETFs. Summit is also charged various fees in connection with trades in individual equities, options and fixed income securities (such as municipal bonds and corporate bonds), including trade away fees in connection with individual equities and fixed income securities; this creates a conflict of interest and provides Summit with an incentive to recommend investments that do not charge these fees over individual equities, options and fixed income securities, and also an incentive to direct trades in individual equities and fixed income securities to the Qualified Custodian rather than other brokers who may provide better execution services to Clients.

The trade-away and other various fees charged in connection with fixed income securities create a conflict specific to the SAA, FMA, APM, and Municipal Bond Programs. In particular, some Financial Advisors managing SAA, FMA, and APM accounts direct their individual fixed income trades to prime brokers rather than the Qualified Custodian, which would cause Summit to incur the trade-away fee for each such fixed income transaction. Because of the additional expenses Summit incurs in connection with the fixed income trades in the SAA, FMA, APM, and Municipal Bond Programs, Summit has an incentive to recommend other Programs over the SAA, FMA, APM and Municipal Bond Programs for Clients who invest in fixed income securities. However, Summit believes this conflict is significantly mitigated by, among other things, the fact that the Financial Advisors who recommend a Program, do not absorb these charges directly and are thus not influenced by these additional costs.



Summit is aware of the foregoing conflicts of interest created by the Transaction-Based Fee Schedule and has adopted practices to monitor (i) recommendations and advice provided by its supervised persons for suitability; (ii) the amount of trading in Client accounts to assess consistency with Client investment profiles, and (iii) the quality of execution received from the Qualified Custodians with respect to individual equity and fixed income trades to assess Client trades directed to the Qualified Custodian receive best execution. Further, Summit negotiated the rates in the Transaction-Based Fee Schedule so that the costs for trades are lowest on the investment products used most frequently by Summit and its Financial Advisors, which mitigates the conflict. With limited exceptions, equities, options and fixed income securities (other than in the AB portion of accounts) represent a small percentage of assets in the Programs.

The costs of the execution services provided by the Qualified Custodian for the custody, clearance and administrative services provided by them are included in the total fee for each Program, as described below and in the Advisory Program Schedules incorporated into the Client's IMA.

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 Summit buys and sells these types of securities, it will not have to pay any commissions to Schwab. We encourage clients to review Schwab's pricing to compare the total costs of entering into a wrap fee arrangement versus a non-wrap fee arrangement. If client chooses to enter into a wrap fee arrangement, their 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](https://schwab.com/aspricingguide).

### ***Wrap Fees***

When a Client decides to participate in any of the programs described above, Summit charges a wrap fee, which consists of an annual advisory fee and an annual program fee. The wrap fee includes the costs of investment advisory, execution, clearance and administrative services provided by Summit, the custodians, broker of record on the account and any prime brokers under the Programs (exclusive of certain third-party fees for optional services which are separate and distinct from the fees and expenses charged by Summit and are further described below). Both the advisory fee and the program fee are negotiable. Some clients who move their accounts to Summit from another firm will pay different fees than clients who open new accounts at Summit. 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 the annual advisory fee component of the wrap fee for the Programs, so long as the maximum advisory fee does not exceed the limits of the advisory fee schedule below. Financial Advisors consider various factors in determining what level of advisory fee to charge, which may include the nature and size of the overall Client relationship with the Financial Advisor, the size of the Program account, and/or the type of advisory products or services likely to be provided through Summit and its affiliates. Part of the advisory fee is paid to the Financial Advisors as compensation for the services they provide under the Programs.

Since Summit began providing investment management services, it has had other legacy advisory fee schedules in effect, which were generally higher than described below. As new advisory fee 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%.**

The advisory fees charged for assets in the Programs are included in the written IMA between Summit and the Client. As noted above, certain components of the wrap fee are negotiable at the sole discretion of the Financial Advisor.

Summit also provides access to third party subadvisors that provide discretionary asset management services to Summit Clients. These subadvisors offer portfolios with a range of investment strategies and objectives, including equity, fixed income, cash and alternative strategies such as options overlay and tax management. In connection with these investment programs, Summit is charged an annual fee by the subadvisors which Summit deducts from the annual advisory fee charged in the account. The maximum annual fee Summit is charged by the subadvisors for equity strategies is 0.60%. The maximum annual fee Summit is charged by the subadvisors for fixed income and cash management strategies is 0.50%. The maximum fee Summit is charged by the subadvisors for alternative strategies is 1.00%. In accounts that do not pay program fees, Summit retains 15% of the advisory fee component. The Financial Advisor does not receive additional compensation for his/her role as the portfolio manager in connection with the SAA, FMA or APM Programs.

**Summit Program Fee**

As noted above, in addition to the advisory fee described above, the wrap fees for the Programs also include an annual Program Fee based on the aggregate value of household assets subject to Summit's program fee per the schedule below and an annual account maintenance charge of \$48 per year for SMP models M25 through M35 or \$120 per year for all other accounts that will be billed monthly or quarterly depending on the billing frequency of the account. The household for this purpose is identified on the Program Fee Account Aggregation Form.

Household Size	Annual Program Fee
Up to \$3,000,000	0.15%
\$3,000,001 - \$5,000,000	0.125%
\$5,000,001+	0.10%

Due to the additional requirements and services provided by the Financial Advisor, accounts in the FMA and APM programs will use less resources from Summit's Investment Management Team, thus have lower fees than certain other Summit account programs. The annual Program Fee for these programs is based on the aggregate value of the household subject to Summit's program fee per the schedule below and an annual account maintenance charge of \$120 per year billed monthly. The household for this purpose is identified on the Program Fee Account Aggregation Form.

Household Size	Annual Program Fee
Up to \$3,000,000	0.08%
\$3,000,001-\$5,000,000	0.06%
\$5,000,001+	0.05%

For the Adhesion program, Summit's annual program fee will be 0.08% and an annual account maintenance charge of \$120 per year billed monthly.

The annual program fee is assessed at the household level, meaning that the relevant fee percentage from the table above is applied to the aggregate value of the assets subject to the annual program fee for an individual or members of a family.

The total fees charged under any Program may be higher than what another investment adviser would charge for a similar combination of services, or what would be charged by Summit or another investment adviser if the investment advisory and brokerage services were provided separately. The relative cost of each Program is affected by such factors as the administrative costs associated with the Programs, the fees charged when investment adviser and brokerage services are purchased separately, the size of the Client's account, and the level of trading activity in the Client's account.

### ***Payment of Wrap Fees***

Pursuant to the IMA signed by Clients, the custodian is authorized to deduct the applicable advisory and program fee on a monthly basis in the month the services are provided. The advisory fee and the program fee are calculated by multiplying the average daily account value of the prior month by the annual fee, divided by 365, multiplied by the number of actual days in the month. For example, the January fees are based on the average daily balance of a Client's account in December.

Unless otherwise agreed to by the Client, Summit calculates the average daily account balance based on all days within the period, including weekends and market holidays, which means that Friday valuations account for 3/7<sup>th</sup> of the average. This applies to all of the Programs custodied at NFS or one of the Additional Qualified Custodians. These fees will appear as management fees on the monthly statements issued by the custodian. Most investments are valued daily or monthly, some quarterly. For non-marketable securities, Summit will use third party or sponsor provided values. If no value is available, Summit will use the cost until a better valuation is available. Some accounts, which have been open for a long time, prepay fees. Some clients will have advisory fees deducted from accounts quarterly in arrears. Advisory fees and program fees for the previous calendar quarter are calculated based on a percentage of the client's asset value at the end of the most recent calendar quarter.

If you have questions about your particular fees, please speak with your Financial Advisor. Please note, 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 with your Financial Advisor.

Some Clients with accounts designate a bill-to account from which the custodian is directed to deduct the wrap fees. These arrangements are approved by the owners of the managed account and the bill-to

account, in the event the account registration is not identical. When wrap fees are not paid from an account for which the services are provided, the performance of that account will not be net of fees.

### ***Other Types of Fees and Expenses***

Unless otherwise noted on the IMA, Clients are responsible for paying all applicable third-party fees (including, but not limited to, wire fees, foreign transaction fees, margin interest, liquidation fees, ACAT fees, regulatory fees, execution costs charged by broker-dealers and/or custodians other than FBS and NFS or the other qualified custodians for execution), which are separate and distinct from the fees and expenses charged by Summit. A schedule of such charges for accounts custodied at NFS or one of the Additional Qualified Custodians is provided to Clients at account inception or at any time by the Financial Advisor. Pursuant to certain subadvisory and client agreements, securities in Client accounts may be liquidated by a subadvisor in their sole discretion, to cover unpaid fees.

Certain investments such as hedge funds and non-traded REITs impose other charges. Clients are encouraged to review all documentation provided by those managers and issuers for details regarding their practices.

Additionally, all pooled investment vehicles, including mutual funds, ETFs, REITs, UITs and hedge funds 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, administrative fees, concessions and other fees and expenses and increase the expense ratio of the security. These fees are in addition to the fees charged by Summit. If Clients transfer in particular 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 securities, such as hedge funds and private equity funds, also charge incentive or performance fees. Summit encourages all Clients to closely review the offering documents for all such investments with their Financial Advisors and to consider the aggregate costs.

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

Summit endeavors to use the lowest cost 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. Summit does not participate in any revenue sharing arrangements. The Municipal Bond Program does not utilize mutual funds.

As noted, if there is little or no trading activity in an account, the program fee will cost more than the commission charges the Client would have incurred if the account were a non-managed account.

## **Item 5. Account Requirements and 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***

There is no minimum account size associated with the SAA, FMA and APM Programs. The Managed Portfolios have minimum account sizes ranging from \$5,000 to \$100,000, which can be waived at Summit's sole discretion. AB imposes a minimum account size of \$250,000 in connection with the Municipal Bond Program, but Summit encourages a minimum account size of \$1,000,000 in such Program which may be negotiable depending on Client's total assets under Summit's management. Any minimum account size is outlined in the IMA entered into by the Client. Exceptions to minimum account size requirements may be negotiated.

## **Item 6. Portfolio Manager Selection and Evaluation**

### ***Selection and Review of Portfolio Managers***

Portfolio manager selection and review processes with respect to each Program are as follows:

*Managed Portfolios.* As noted above, Managed Portfolios are custom designed portfolios constructed by Summit's IMC, which is comprised of the Chief Investment Officer and members of the Investment Management Department. The IMC is the only portfolio manager for the Managed Portfolios, and as a result, Summit and its Financial Advisors do not undertake a portfolio manager selection or recommendation process in connection with this Program. However, Summit does undertake a consistent process to review and oversee the ongoing performance of the IMC to assess whether the Managed Portfolios are being managed in accordance with Client expectations and investment objectives. In particular, on at least a quarterly basis, the IMC conducts meetings with the Investment Committee, a group of Financial Advisors who provide advisory services to a significant cross-section of Summit's Client base. During these quarterly meetings, the IMC informs the Investment Committee of any changes to the Model Portfolios, and the Investment Committee provides feedback to the IMC, which can include any notable concerns communicated by Clients regarding the Managed Portfolios of which the Investment Committee members become aware. In addition, on a monthly basis the IMC will calculate the performance of each Managed Portfolio for internal purposes and benchmark that performance against an appropriate index, and then presents that information to the Investment Committee during each quarterly meeting for its review. The Investment Committee assesses the performance as compared to the benchmarks and offer suggestions on the development of new strategies to better meet Client needs. The performance data underlying these internal calculations are based on information provided by Morningstar, a third-party vendor and data provider. Performance calculations prepared by the IMC are not made available to Clients and the IMC does not prepare performance presentations regarding the Managed Portfolios that can be presented to current or prospective Clients. However, Clients can request information regarding the performance of their accounts at any time from their Financial Advisors.

*SAA, FMA and APM Programs.* If a Client participates in the SAA, FMA or APM Programs, his/her Financial Advisor(s) will act as the Account's portfolio manager. The Client's Financial Advisor is the only portfolio manager for the SAA, FMA and APM Programs, and as a result, Summit does not undertake a portfolio manager selection or recommendation process. However, Summit does have a process to supervise the portfolio management services Financial Advisors provide in connection with these Programs. On an annual basis, Financial Advisors acting as portfolio managers in connection with the SAA, FMA and APM programs must complete an annual review form that, among other things, requires Financial Advisors to (i) provide information regarding the nature of any due diligence they performed in connection with investments they recommended to or selected for Clients; (ii) review all share classes held by their Clients and note if there are lower cost shares available for each mutual fund, UIT, REIT or any other pooled investment vehicle in each Client portfolio; (iii) explain whether the current portfolio composition and prior year's trading activity met the Client's needs, his/her risk tolerance and investment objectives, including the Financial Advisor's rationale for the number of trades placed in each account, as well as a discussion of the value of such trades relative to each account and the portfolio as a whole and the performance of the portfolio; (iv) report the nature and content of any communication with the Client regarding how the current portfolio composition and prior year activity addressed the Client's needs (including liquidity), risk tolerance and investment objectives; and (v) assess and explain whether the Financial Advisor recommends changes to the portfolio to meet the needs of the Client and if so, what they are. A member of Summit's compliance team tests a sample of the submitted forms and follows up with Financial Advisors as appropriate to assess that Client needs in connection with their SAA, FMA and APM accounts are being met. Summit does not calculate the performance of the Financial Advisors who provide portfolio management services in connection with the SAA, FMA and APM Programs. However, Clients can request information regarding the performance of their accounts at any time from their Financial Advisors. The data underlying the performance information relating to traded investments and mutual funds is provided by Morningstar, a third-party vendor and data provider, and data relating to non-traded investments is provided by the sponsors of those investments. Neither Summit nor Financial Advisors prepare actual performance presentations regarding the SAAs, FMAs or APM that can be presented to prospective Clients. However, upon request, and as part of analyzing the Client's risk profile, a Client and a Financial Advisor can review theoretical performance in the event of the realization of certain risks. These theoretical presentations are generated by non-proprietary software, and Clients should carefully review the disclosures that are provided in connection with them.

*Municipal Bond Program.* If a Client participates in the Municipal Bond Program, AB will act as the Client's portfolio manager. AB is the only portfolio manager made available in connection with the Municipal Bond Program, and as a result, Summit does not undertake a portfolio manager selection or recommendation process in connection with this Program. However, Summit does have a process to review and evaluate the portfolio management services AB provides in connection with this Program. In particular, on at least a quarterly basis, Summit's IMC conducts due diligence of AB to reassess whether it is an appropriate portfolio manager for the Clients participating in the Municipal Bond Program. For additional information regarding the nature of this due diligence process and the IMC's points of consideration, please see the sub-section below titled "**Methods of Analysis.**" As part of each review and evaluation of AB, the IMC considers composite performance information provided by AB. With respect to such composite information, AB claims compliance with the Global Investment Performance Standards (GIPS®) and prepares and presents composite performance reports to the IMC in compliance with the GIPS® standards. Furthermore, AB has been independently verified for the periods from 1993 through 2016, and the verification reports are available to the IMC upon its request.

The verification process assesses whether (1) AB has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) AB's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards but it does not ensure the accuracy of any specific composite presentation. The composite performance information prepared by AB is made available to current and prospective Clients upon request. Clients can also request information regarding the performance of their accounts at any time from their Financial Advisors.

### ***Related Persons & Supervised Persons***

Managed Portfolios are custom designed portfolios constructed by Summit's IMC, and Financial Advisors act as portfolio managers in connection with the SAA, FMA and APM Programs. 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 and often varies from Client to Client. Moreover, in connection with accounts in which Clients do not pay a program fee to Summit (except AssetMark and Envestnet accounts) and, with certain limited exceptions, accounts in the SEI programs, Summit retains a portion of the advisory fee before applying the Financial Advisor's grid to calculate the Financial Advisor's compensation. In connection with accounts that do pay a program fee to Summit, the AssetMark accounts, Envestnet accounts, and, in certain limited cases, 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 charge a higher advisory fee, or the programs or services in which they keep more of the advisory fee. Summit is aware of the conflicts of interest created by the variability in advisory fee compensation across programs and services and has adopted practices to supervise recommendations of programs and services.

Financial Advisors act as portfolio managers in connection with the SAA, FMA and APM Programs and have to conduct their own due diligence of securities and/or allocations they recommend and select under these Programs, while they do not have to conduct securities-specific due diligence in connection with the other programs. Because the SAA, FMA and APM Programs involve this additional effort and workload, your Financial Advisors may not recommend these programs to his/her Clients. Conversely, the maximum advisory fee is higher for SAA, FMA and APM 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 recommendations of Programs.

### ***Advisory Services Provided in Connection with Managed Portfolios, SAAs and FMAs***

Summit's IMC and its Financial Advisors are supervised persons of Summit and provide portfolio management services in connection with Managed Portfolios and SAA, FMA and APM accounts, respectively. For information about the advisory services provided in connection with Managed Portfolios, SAA, FMA and APM accounts, please see Item 4 above regarding Services, Fees and Compensation.

### ***Tailored Investment Advice***

As described in Item 4 above regarding Services, Fees and Compensation, Summit offers the same suite of services to all of its Clients. However, each Financial Advisor determines, based on his/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 the 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 from properly servicing the Client's account, or if the restrictions would require Summit to deviate from its standard platform of services, particularly with respect to the Managed Portfolios, Summit reserves the right to end the relationship.

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

Summit does not assess performance-based fees or other fees based on a share of capital gains on or capital appreciation of assets of a Client.

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

As discussed in Item 4, Summit and its Financial Advisors primarily recommend or select investments in ETFs and mutual funds in the Managed Portfolio, SAA, FMA, and APM Programs. They also recommend AB as a sub-adviser and portfolio manager in connection with the Municipal Bond Program. The analysis for these securities and managers is conducted in the following way.

*Managed Portfolios, Parametric and AB* - Members of the IMC conduct due diligence on securities, investment managers and strategies for Managed Portfolios, and Parametric or AB as a sub-adviser. While various sources of information may be used, the IMC's principal sources of information include: (i) 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 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);
- Is the product structure attractive and what are the potential tax implications.

*SAA/FMA/APM* – Given the number of Financial Advisors 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 APM 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;
- 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 with all securities, 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.

### *Alternative Investment Strategies*

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

*Non-Traded REITs and 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 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 or partnerships through a successful liquidity event;
- Conflicts of interest that may result from the relationship between the REIT sponsor or partnerships 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 conference calls, 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 accounts; 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 invests in for Client accounts 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.

### ***Specific Risks***

Clients participating in the Managed Portfolios should understand the underlying holdings within the Managed Portfolios (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. The risk in a Managed Portfolio or collection of Managed Portfolios is a function of the underlying asset classes utilized and the particular weighting of the Managed Portfolios if more than one is used to meet the portfolio

design. 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.

### ***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. Summit also will not be responsible for taking action or rendering any advice with respect to securities held in Program accounts which become subject to legal notices or proceedings, including bankruptcy proceedings.

### **Item 7. Client Information Provided to Portfolio Managers**

Client information, including their financial circumstances, is collected and continually maintained by Financial Advisors. Furthermore, on an annual basis, Summit requires Financial Advisors complete an annual review for each Client, pursuant to which the Financial Advisors report whether there have been any changes to each Client's investment profile, and if there has been such a change, further requires the Financial Advisors to report the changes to Summit's Operations Department. For the SAA, FMA, and APM Programs, the Financial Advisors serve as the portfolio managers and Clients can thus communicate any changes to their investment profiles at any time. Client investment profile information is not communicated to the IMC, which serves as the portfolio manager in connection with Managed Portfolios, but as noted above, Financial Advisors collect and continually maintain information about Clients and update it as necessary in connection with their participation in Managed Portfolios. Finally, in connection with the Municipal Bond Program, AB asks Summit and its Financial Advisors to obtain and continually update information from Clients that is material to the construction and maintenance of the Client's portfolio, such as existing municipal bond holdings at the inception of an account, state of residence, and cash flow needs.

## **Item 8. Client Contact with Portfolio Managers**

Summit does not place any restrictions on Clients' ability to contact and consult with their Financial Advisors. Further, the members of the IMC are available to talk to Clients. AB and Parametric, which may serve as sub-advisors are generally not available to speak to Summit's Clients, but Financial Advisors can communicate information to AB or Parametric upon Client request.

## **Item 9. Additional Information**

### ***Disciplinary Information***

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

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

Summit is registered with the Securities Exchange Commission (SEC) as an investment adviser. As noted herein, most Summit Financial Advisors are also registered representatives of PKS, an unaffiliated broker-dealer and member of FINRA and SIPC. Summit is also associated with other affiliates that have overlapping employees and/or Clients and which may receive fees, commissions or other remuneration from non-Clients as a result of a sale or product or service by the affiliate to the Client. Neither Summit nor the Financial Advisors in their capacity as an IAR will act as a broker in connection with the Programs.

*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 Wealth Partners, LLC ("MWP"), owns a minority, non-controlling interest in the Advisor. Each of Merchant Wealth and MWP are affiliated entities due to common control with Merchant Investment Management, LLC ("Merchant Investment"). Merchant Investment and MWP, 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"). The Advisor is provided access to use these Investment Solutions, where the Advisor may utilize the Investment Solutions pursuant to an engagement that the

Advisor enters into 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 or MWP's various subsidiaries own in the third parties providing these Investment Solutions. Through these minority ownership interests in the third parties that provide these Investment Solutions, Merchant Investment or MWP will benefit from additional revenue that is generated when the Advisor engages any of these third party service providers. Accordingly, the Advisor may have an incentive to engage one or more of these Investment Solutions. In an effort to ensure these conflicts of interest are addressed, the Advisor has implemented a risk control and disclosure framework, the objective of which is for the Advisor to select Investment Solutions that are in the best interest of the Client. The Advisor is not controlled by Merchant Wealth, MWP or Merchant Investment and is operated independently where Merchant Wealth, MWP and Merchant Investment and all other related subsidiaries and affiliates are not involved with the services offered by the Advisor and maintains its own office space.

*Sextant Securities, LLC* - The Advisor, in which Merchant Wealth has an indirect minority, non-controlling ownership interest, may engage Sextant Securities, LLC ("Sextant"), an affiliated 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 the Advisor invests any Client funds into a Security Offering. Accordingly, the Advisor may have an incentive to invest Client funds into a Security Offering. In addition, there is no requirement for the Advisor to recommend to a Client a Security Offering offered through Sextant.

Prior to recommending a Security Offering, the Advisor 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, the Advisor 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 I, II, III, and IV L.P.* - Summit may recommend that Clients invest into the Maxim Income Opportunity Fund I, II, III, and IV 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 for 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.

Maxim Income Opportunity Fund IV, L.P. and Summit Financial have an arrangement where Summit Financial will receive a revenue share from Maxim Income Opportunity Fund IV, L.P. from the fees collected by Maxim of the clients invested through Summit. This arrangement causes a conflict of interest for Summit as it has incentive to recommend this investment to its clients.

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 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 representatives of PKS or other unaffiliated broker dealers will offer brokerage products for which they will receive compensation in their capacity as RRs of the broker dealer. As noted above, LSS will receive a referral for such business through PKS or other unaffiliated broker dealers. The Client's Financial Advisor's obligations to Client when selling insurance or securities differs from his or her obligations when acting as a Financial Advisor through Summit, and except as noted herein, Summit does not supervise those activities. Clients are under no obligation, however, to purchase any other products or services from Financial Advisor.

### ***SummitVantage™***

SummitVantage is used for marketing purposes to identify the services offered by the Summit affiliated firms. It does not offer products or services. SummitVantage is used in the recruitment and retention of investment advisor representatives.

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

Summit may recommend third party managers such as AB, Parametric, Seeds or other non-wrap TPMs as providers of investment management services for Clients. Although AB, Parametric and Seeds' fee is deducted from the advisory fee, fees for other non-wrap TPMs are typically added to the fee charged by Summit. This relationship and the fees are 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 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 Financial Advisors will only invest Clients with Piton if it is suitable and in accordance with the Client's investment objectives.

### ***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's 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 confirm 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.

### ***Review of Accounts***

The Financial Advisors review all of the accounts in the Programs on a continuous and regular basis. The Managed Portfolios are also reviewed on a continuous basis by the IMC. 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 reports from the custodian that detail the Client's positions and activity. Many Financial Advisors also provide their Clients with periodic performance reports, which show performance across multiple accounts within a household. Clients are advised to always compare those reports to the ones provided by the qualified custodians, which are the official records of the accounts.



***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. Many of those are addressed in Item 4, above.

Financial Advisors are compensated through Summit by sharing a percentage of the advisory fee component charged to the Clients' accounts (often referred to as a "grid" or "net" payout). The payout percentage varies based upon the advisory program or TPM selected. Moreover, Financial Advisors with higher total revenue generally receive higher "grid" payouts. Additionally, if Financial Advisors recommend insurance in connection with financial planning service to Clients (which are separate from the Programs), Summit affiliates and many Financial Advisors receive significant allowances from Mass Mutual or other insurance companies, as discussed in Item 5 – Fees and Compensation of Summit's Form ADV Part 2A Firm Brochure and in the Financial Advisor Brochure Supplement.

Summit does not retain any portion of the advisory fee component of the wrap fee before applying the Financial Advisor's grid except as noted above for legacy accounts to calculate the Financial Advisor's compensation. However, in connection with accounts in which Clients do not pay a program fee to Summit, which are not wrap programs, (except AssetMark and Envestnet accounts), and, with certain limited exceptions, accounts in the SEI programs, Summit retains a portion of the advisory fee before applying the Financial Advisor's grid to calculate the Financial Advisor's compensation. In connection with accounts that do pay a program fee to Summit, the AssetMark accounts, Envestnet accounts, and, in certain limited cases, 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. Moreover, as noted above, Summit has adopted practices to supervise recommendations of programs and services.

Summit also has agreements whereby it receives solicitation fees for referring Clients' assets to be managed by certain TPMs but does not receive these fees in connection with the sub-advisory accounts – stock portfolios and Municipal Bond Program. 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 as well as your investment management agreement with any TPM to whom you are referred.

Certain service providers including subadvisors that provide services to Summit's clients have a revenue fee share arrangement with Summit. This causes Summit to have a conflict of interest as it has incentive to recommend these service providers over others where they do not have this incentive. Please contact your financial advisor to find out if your service provider has this arrangement with Summit.

Summit or its affiliated firms and certain Financial Advisors 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 would be in the form of a one-time payment or ongoing trails. Summit and the Financial Advisor will not receive any such payments for Clients that are considered ERISA Plans or prohibited under ERISA law. Summit does not supervise or review any such referrals by the Financial Advisor. Summit is not responsible for any such recommendations. Advisor is acting outside of advisory duties and responsibilities that are overseen by Summit. 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 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 herein, 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.

***Financial Information***

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