



Summit Financial Group, Inc.  
A member of Cetera Financial Group®  
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## **FORM ADV PART 2A APPENDIX 1 WRAP FEE PROGRAM BROCHURE March 29, 2019**

**This wrap fee program brochure provides information about the qualifications and business practices of Summit Financial Group, Inc. You should review this brochure to understand your relationship with our firm and your investment adviser representative. If you have any questions about the contents of this brochure, please contact us at (800) 226-2660 or [compliance@summitbrokerage.com](mailto:compliance@summitbrokerage.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

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

Summit Financial Group is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

Below are material changes that have been made to this brochure since the date of our last annual update on March 31, 2018.

### **Change in Ownership**

On July 15, 2018, GC Two Holdings, Inc. (GC Holdings) entered into an agreement to acquire Aretec Group Inc. (Aretec). The transaction closed on October 1, 2018 and resulted in a change of ownership for Aretec. As a result of this change, Aretec will continue to be a privately held corporation and is now a wholly-owned subsidiary of GC Two Intermediate Holdings, Inc. and a wholly-owned indirect subsidiary of GC Two Holdings, Inc. Summit Financial Group is part of Cetera Financial Group, Inc., which is wholly-owned by Aretec.

### **Share Class Selection Disclosure Initiative**

In March 2019, Summit Financial Group, Inc., without admitting or denying the findings, submitted an Offer of Settlement which was accepted by the Securities and Exchange Commission. Summit was censured and ordered to pay disgorgement of \$932,223.80 and interest of \$100,478.98 for breaches of fiduciary duty and inadequate disclosures in connection with mutual fund share class selection practices and the fees we received. Summit was ordered to cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 207 of the Advisers Act and to comply with the undertakings enumerated in the offer of settlement. Summit self-reported to the Commission pursuant to the Division of Enforcement's Share Class Selection Disclosure Initiative.

### **Item 3 – Table of Contents**

Item 2 – Material Changes.....	2
Item 3 – Table of Contents.....	3
Item 4 – Services, Fees and Compensation.....	4
Item 5 – Account Requirements and Types of Clients.....	14
Item 6 – Portfolio Manager Selection and Evaluation.....	15
Item 7 – Client Information Provided to Portfolio Managers.....	17
Item 8 – Client Contact with Portfolio Managers.....	18
Item 9 – Additional Information.....	18

## Item 4 – Services, Fees and Compensation

### Our Services and Fees

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

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

Summit Financial Group offers portfolio management services through bundled and unbundled programs. Our wrap fee programs are managed similarly to our unbundled programs, but differ in fee structure. A bundled or “wrap fee” program is an advisory fee program under which you pay one bundled fee to compensate Summit Financial Group and your investment adviser representative for portfolio management and trade execution. An unbundled program is an advisory program under which you pay transaction costs in addition to an investment advisory fee. A wrap fee program may not be the lowest cost option if you would like to restrict your investments to open-end mutual funds or other long-term investment products. For additional information on our unbundled asset management programs, please refer to our Form ADV Part 2A Brochure, which is available on our website, [www.summitbrokerage.com](http://www.summitbrokerage.com).

Our discretionary and non-discretionary investment management programs provide the ability to develop a customized investment plan with your investment adviser representative based on your individual needs and goals. Your investment adviser representative will provide advice throughout the investment process to help you navigate through market changes, which may include assistance with selecting a third-party portfolio manager for your account. Your investment adviser representative will advise you based on the information you provide during the account opening process and on his or her judgment of what may be in your best interest. Your investment adviser representative may consider research from various sources, including our affiliate, Cetera Investment Management, when providing individual investment recommendations.

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

Every year we calculate the amount of assets that we manage. As of December 31, 2018, we managed:

- \$915,960,891 in discretionary assets
- \$1,973,635,440 in non-discretionary assets

Discretionary assets under management are those for which we have an ongoing responsibility to select and make securities recommendations that are in line with your financial needs and objectives and then effect those securities transactions without first consulting you. Non-discretionary assets under management are those for which we have an ongoing responsibility to select and make securities recommendations that are in line with your financial needs and objectives and then effect those securities transactions only after consulting with you to inform you of the transaction(s) and obtaining your approval to move forward.

Summit Financial Group also offers access to a number of programs managed by third-party asset managers on a discretionary basis. These programs offer access to a variety of model portfolios with

varying levels of risk from which you may choose. Summit Financial Group and the program manager are jointly responsible for the services provided under the program. Your investment adviser representative is responsible for assisting you with completing the investor profile questionnaire or other equivalent document. Your responses on the investor profile questionnaire will assist your investment adviser representative with understanding your investment objectives, financial situation, risk tolerance, time horizon and other financial information. Based on the answers you provide on the investor profile questionnaire, your investment adviser representative will assist you in determining which model portfolio or strategy is most appropriate for you. The program manager is responsible for the ongoing management of your account in accordance with the selected model portfolio and/or investment strategy. Summit Financial Group and your investment adviser representative, in addition to the third-party manager, receive a portion of the wrap fee for our services.

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

Summit Financial Group is co-adviser in the My Advice Architect™ Program and is responsible for supervising the activities of the investment adviser representatives who use the program for clients. Please refer to the Form ADV Brochure of our affiliate, Cetera Advisory Services, for additional information on the My Advice Architect Program and the role of Summit Financial Group and your investment adviser representative.

Fees for portfolio management services are based on assets under management and are payable quarterly in advance. Summit Financial Group and your investment adviser representative may negotiate advisory fees at our sole discretion. Maximum fees for our advisory programs are outlined below. Graduated fee schedules vary by program.

Programs on the Wells Fargo Platform				
Program	Program Type	Program Manager	Maximum Annual Advisory Fee	Manager Fee (included in annual advisory fee unless otherwise stated)
Allocation Advisors	Separately Managed Account	Wells Fargo Advisors, Laffer and/or Ibbotson	2.25%	Strategic/CAAP Foundations: 0.10% CAAP Plus/Global: 0.25%
Diversified Managed Allocations	Separately Managed Account	Wells Fargo Advisors and/or Third-Party Managers	2.55%	Based on % of equities in portfolio: 0% to 24%: 0.40% 25% to 49%: 0.45% 50% to 74%: 0.50% 75% to 100%: 0.55%
Masters Program	Separately Managed Account	Third-Party Manager	Equity & Balanced Accounts: 2.50% Fixed Income Accounts: 2.30%	Equities: 0.50% Fixed Income: 0.30%
Private Advisor Network	Separately Managed Account	Third-Party Manager	2.05%	0.15% to 1.25% annually; varies by manager *manager fee is in addition to annual advisory fee
Wells Fargo Compass Advisory Program	Separately Managed Account	Wells Fargo Advisors	2.25%	First \$500,000: 0.25% Next \$500,000: 0.225% Next \$1,000,000: 0.20% Next \$3,000,000: 0.175% Next \$5,000,000: 0.150% Over \$10,000,000: Waived
CustomChoice	Mutual Fund Advisory Program	Investment Adviser Representative	\$0 - \$249,999: 1.75% \$250,000 - \$999,999: 1.50% Over \$1,000,000: 1.15%	0.65% to 1.4%
FundSource®	Mutual Fund Advisory	Wells Fargo Advisors	2%	Up to 0.18%

	Program			
Asset Advisor	Adviser-Directed Program	Investment Adviser Representative	\$0 - \$249,999: 3% \$250,000 - \$999,999: 2.50% Over \$1,000,000: 1.75%	0.55% to 2.55%
Private Investment Management	Adviser-Directed Program	Investment Adviser Representative	\$0 - \$249,999: 3% \$250,000 - \$999,999: 2.50% Over \$1,000,000: 1.75%	0.55% to 2.55%
Summit Investment Program	Asset Allocation Program	Columbus Macro	2%	Up to 0.30%

Accounts opened on the Wells Fargo platform prior to June 9, 2017 may be subject to a different fee rate. You should refer to your advisory agreement for your specific fee rate(s).

Programs on the Pershing Platform				
Program	Program Type	Program Manager	Maximum Annual Advisory Fee	Manager Fee (included in annual advisory fee)
Advisor Investment Management	Adviser-Directed Program	Investment Adviser Representative	First \$1,000,000: 3.00% Over \$1,000,000: 2.50%	First \$500,000: 0.70% to 2.70% Next \$500,000: 0.725% to 2.725% Over \$1,000,000: 0.75% to 2.75%
Investnet Separate Accounts	Separately Managed Account	Third-Party Manager	First \$1,000,000: 3.00% Over \$1,000,000: 2.50%	Up to 1.25%
Investnet Multi-Manager Account	Strategist Program	Third-Party Strategist	First \$2,000,000: 3.00% Over \$2,000,000: 2.50%	Up to 1.25%
Investnet Advisor as Portfolio Manager	Adviser-Directed Program	Investment Adviser Representative	First \$1,000,000: 3.00% Over \$1,000,000: 2.50%	Up to 2.54%
Investnet Unified Managed Account	Unified Managed Account	Third-Party Manager/Strategist	First \$2,000,000: 3.00% Over \$2,000,000: 2.50%	Up to 1.25%
Investnet Mutual Fund/ETF Portfolios	Strategist Program	Third-Party Strategist	First \$1,000,000: 3.00% Over \$1,000,000: 2.50%	Up to 0.85%
Lockwood Separately Managed Accounts	Separately Managed Account	Third-Party Manager	First \$1,000,000: 3.00% Over \$1,000,000: 2.50%	Fixed Income: 0.15% to 0.35% Equity & Balanced: 0.30% to 0.65%
Lockwood AdvisorFlex Portfolios	Mutual Fund/ETF Advisory Program	Third-Party Manager	First \$1,000,000: 2.00% Over \$1,000,000: 1.50%	First \$500,000: 0.40% Next \$500,000: 0.35% Over \$1,000,000: 0.25%
Lockwood Investment Strategies	Unified Managed Account	Third-Party Manager	First \$1,000,000: 3.00% Next \$4,000,000: 2.50% Over \$5,000,000: 2.00%	First \$500,000: 0.75% Next \$500,000: 0.55% Next \$4,000,000: 0.40% Next \$5,000,000: 0.35% Over \$10,000,000: 0.30%
Lockwood Asset Allocation Portfolios	Mutual Fund/ETF Advisory Program	Third-Party Manager	First \$1,000,000: 3.00% Next \$4,000,000: 2.50% Over \$5,000,000: 2.00%	First \$500,000: 0.40% Next \$500,000: 0.35% Next \$4,000,000: 0.30% Next \$5,000,000: 0.25% Over \$10,000,000: 0.20%
Summit Investment Program	Asset Allocation Program	Third-Party Manager	2%	Up to 0.30%

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

Programs on Other Platforms				
Program	Program Type	Program Manager	Maximum Annual Advisory Fee	Manager Fee (included in annual advisory fee)
Summit Foliofn Portfolios	Adviser-Directed Program	Investment Adviser Representative	3%	First \$250,000: 0.20% Next \$500,000: 0.15% Over \$750,000: 0.10%

### Costs of Our Programs

Fees for our advisory services may be higher than fees charged by other advisers who sponsor similar programs, or if you paid separately for investment advice and other services. Our wrap program fees include clearing and custodial costs, fees paid to your investment adviser representative and, for most programs, manager/strategist fees. You may be charged different fees than similarly situated clients for the same services. As a result of the differences in fees and other sources of compensation that exist among the various advisory programs and services we offer, your investment adviser representative has a financial incentive to recommend particular programs and services over other programs and services available through our firm. The specific fees and manner in which fees are calculated and charged is described in your investment advisory agreement. You should carefully review this brochure to understand the fees and other sources of compensation that exist among our programs and services prior to entering into an investment advisory contract with our firm.

### Other Types of Fees You May Incur

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

In addition to advisory fees, you are responsible for paying any management and other fund-related expenses for the mutual funds in which your account assets are invested. This includes redemption fees imposed by the mutual fund or custodian as a result of a transaction-related request you initiate (such as a partial or complete liquidation of your account). Decisions to reallocate your account assets may result in you incurring a redemption fee imposed by one or more mutual funds held in your account. Distribution or "12b-1" fees paid by the mutual funds in which your account assets are invested are credited back to your account for your benefit.

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

### Compensation Arrangements for Program Referrals

Summit Financial Group pays referral fees to other individuals for referring clients to our firm. We require these individuals to comply with applicable laws, rules and regulations related to solicitation activities, including any state rules requiring registration. Individuals with which we have a solicitor arrangement have a financial interest in referring clients to our firm and investment adviser representatives, and receive a percentage of the advisory fee you pay our firm. No additional fees are assessed when clients are referred to our firm. If you are introduced to our firm or one of our investment adviser representatives through a soliciting partner, you will receive a separate written disclosure

document that contains important information related to the solicitor arrangement. You should review this document carefully before opening an advisory account with our firm.

## **Other Types of Compensation We Receive**

### **Brokerage Compensation**

Your investment adviser representative also acts as a registered representative of our affiliated broker-dealer, Summit Brokerage Services, Inc. As a registered representative, he or she accepts compensation for the sale of securities in a non-fee-based brokerage account, including asset-based sales charges and service and distribution fees from the sale of mutual funds. The receipt of such compensation presents a conflict of interest and gives your investment adviser representative an incentive to recommend commission-based products in addition to advisory services based on the compensation he or she will receive, rather than on your needs. Summit Financial Group addresses this conflict of interest by requiring that your investment adviser representative uphold their fiduciary duty to provide investment advice that is in your best interest and disclosing the conflict to you before or at the time you enter into an investment advisory contract with our firm. During the account opening process, your investment adviser representative will also provide you with our Big Picture Brochure, which describes the differences between commission-based and fee-based services, to help you determine whether a commission-based or fee-based account is appropriate for your financial needs and goals.

When recommending mutual funds, Summit Financial Group and our investment adviser representatives primarily recommend no-load or load-waived funds for advisory accounts. In instances where a distribution or “12b-1” fee is paid by a mutual fund you hold in your advisory account, such fee is credited back to the account for your benefit.

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

Depending on the advisory program you select at account opening, you may incur additional brokerage charges, such as account maintenance fees, short-term redemption fees and other types of service charges associated with transactions in your account. These account charges defray the cost our affiliated broker-dealer, Summit Brokerage Services, pays for such services and provide additional compensation to Summit Brokerage Services. This additional compensation presents a conflict of interest because Summit Brokerage Services receives a financial benefit when it provides these services for your account. Summit Brokerage Services does not share this compensation with your investment adviser representative, so your investment adviser representative does not have a financial incentive to recommend transactions for which these charges apply or for the broker-dealer to provide these additional services. You should refer to Summit Brokerage Services’ schedule of clearing charges for the specific brokerage costs related to your account.

### **Compensation from Strategic Partners, Exchange Traded Products Partners and Retirement Partners**

#### **Strategic Partners Program**

Although we offer thousands of mutual funds from more than 250 mutual fund companies, and hundreds of variable life and annuity contracts from more than 100 insurance companies, we concentrate our marketing and training efforts on those investments offered by a much smaller number of select and well-known companies (Strategic Partners). Strategic Partners are selected, in part, based on the competitiveness of their products, technology, customer service and training capabilities. Strategic Partners have more opportunities than other companies to market to and educate our investment adviser representatives on investments and the products they offer.

Our Strategic Partners pay extra compensation to us and/or our affiliates in addition to the usual product compensation described in the prospectus. The additional amounts Strategic Partners pay us vary from one Strategic Partner to another and from year to year. Some Strategic Partners pay investment adviser representatives up to 0.45% of your total purchase amount of a mutual fund or variable insurance product. So, for example, if you invest \$10,000 in a mutual fund, we could be paid up to \$45. Additionally, some Strategic Partners make a quarterly payment or additional quarterly payment based on the assets you hold in the fund or variable insurance product over a period of time of up to 0.15% per year. For example, on a holding of \$10,000, we could receive up to \$15. Alternatively, we may receive compensation from the mutual fund or insurance company as: (1) a flat fee regardless of the amount of new sales or assets held in client accounts; or (2) the greater of such flat fee or amount based on assets and/or new sales as referenced above and any ticket charge payments referenced below. These payments are designed to compensate us for ongoing marketing and administration and education of our employees and representatives. You do not make these payments. They are paid by the mutual fund and insurance companies and/or their affiliates out of the assets or earnings of the funds or insurance companies or their affiliates.

It is important to note that you do not pay more to purchase Strategic Partner mutual funds or insurance products through our affiliate, Summit Brokerage Services, than you would pay to purchase those products through another broker-dealer, and your investment adviser representative does not receive additional compensation for selling a Strategic Partner product.

We also receive revenue sharing payments from companies that are not Strategic Partners.

A potential conflict of interest exists in that we are paid more revenue-sharing fees if you purchase one type of product instead of another and/or you purchase a product from one particular sponsor instead of another. Your investment adviser representative also indirectly benefits from Strategic Partner payments when the money is used to support costs relating to product review, marketing or training, or for waiver of ticket charges. Our investment adviser representatives do not receive any compensation associated with the revenue sharing payments.

#### *Training and Education Compensation*

We, and our investment adviser representatives, also receive additional compensation from mutual fund and insurance companies, including Strategic Partners, that is not related to individual transactions or assets held in accounts. This money is paid, in accordance with regulatory rules, to offset up to 100% of the costs of training and education of our representatives and employees. In some instances, mutual fund and insurance companies pay a flat fee in order to participate in our training and educational meeting. These meetings or events provide our representatives with comprehensive information on products, sales materials, customer support services, industry trends, practice management education and sales ideas.

It is important to note that due to the number of mutual fund and variable insurance products we offer, not all product sponsors have the opportunity to participate in these training and educational events. In general, our Strategic Partners have greater access to participation in these events and therefore greater access to, and opportunity to build relationships with, our representatives.

Some of the training and educational meetings for which we, or our representatives, receive reimbursement of costs may include client attendance. If you attend a training or educational meeting with your investment adviser representative and a product sponsor is present, you should assume that the product sponsor has paid for all or a portion of the costs of the meeting or event.

#### *Other Cash and Non-Cash Compensation*

In addition to reimbursement of training and educational meeting costs, we and our investment adviser representatives receive promotional items, meals or entertainment or other non-cash compensation from representatives of mutual fund companies, insurance companies, and direct participation sponsors, as

permitted by regulatory rules. The sale of mutual funds, variable insurance products and other products, whether of our Strategic Partners or not, may qualify our investment adviser representatives for additional business support and for attendance at seminars, conferences and entertainment events. Further, some of our home-office management and certain other employees receive a portion of their employment compensation based on sales of products of Strategic Partners.

*List of Strategic Partners*

Below is a list of our Strategic Partners in alphabetical order:

<b>Strategic Partners</b>	
<b>Mutual Fund Companies</b>	<b>Insurance Companies</b>
American Funds Distributors <sup>1</sup>	AIG Annuities
BlackRock Investments, LLC	Allianz Life Financial Services
Columbia Management	AXA Distributors
Deutsche Asset and Wealth Management	Forethought Life Insurance Company
Eaton Vance Distributors, Inc.	Hartford Life
Federated	Jackson National Life
Fidelity Investments <sup>2</sup>	Lincoln Financial Distributors
Franklin Templeton Distributors, Inc.	MetLife
Goldman Sachs Asset Management	Nationwide Financial
Invesco	Pacific Life Insurance Company
Ivy Funds	Prudential Annuities Distributors
John Hancock Funds	Sammons Financial Group and Midland National Life Insurance Company
J.P. Morgan Investment Management	Securian Financial Group
Lord, Abnett & Co. LLC	Transamerica Capital
MainStay Investments	Voya
Natixis Global Asset Management <sup>3</sup>	
OppenheimerFunds Distributor, Inc.	
Pacific Life	
PIMCO	
Pioneer Funds Distributors, Inc.	
Principal Funds	
Prudential Financial, Inc.	
Putnam Investments	
Virtus Investment Partners, Inc.	
Voya Investment Management	

<sup>1</sup> For American Funds, ticket charges are waived for purchases over \$10,000.

<sup>2</sup> For Fidelity Investments, ticket charges are waived on Fidelity Advisor Funds. Fidelity Direct Funds are not included in the Strategic Partner Program.

<sup>3</sup> Natixis Global Asset Management ticket charges are not waived on Oakmark and Loomis Sayles Funds. Please note that fee waivers do not apply on ERISA Title 1 advisory accounts where the investment adviser representative pays the ticket charges.

**Exchange Traded Products Partner Program**

Effective July 24, 2018, Summit Financial Group launched an exchange traded products partner program (ETP Partner Program), which as described below, has similar features to the firm’s Strategic Partner Program. Summit Financial Group currently has one ETP Partner, WisdomTree Asset Management, but intends to add additional ETP Partners on an ongoing basis. For the most current list of our ETP Partners, please refer to our website, [www.summitbrokerage.com](http://www.summitbrokerage.com), or contact your investment adviser representative.

Although we offer thousands of exchange-traded products (ETPs), we concentrate our marketing and training efforts on those investments offered by select and well-known ETP Partners. An ETP Partner is selected, in part, based on the competitiveness of its products, technology, customer service and training

capabilities. An ETP Partner has greater exposure to our investment adviser representatives (e.g., at conferences), and more opportunities to market and educate our investment adviser representatives on investments and the products they offer.

An ETP Partner pays extra compensation to us and/or our affiliates in addition to the compensation described in the prospectus. The additional amounts may vary from one ETP Partner to another and from year to year. In general, an ETP Partner pays us the greater of an annual flat fee regardless of the amount of new sales or assets held in client accounts or up to 0.25% of the ETP's net expense ratio (as set forth in the prospectus or supplement) of your investment's average daily balance during the quarter. So, for example, for each \$10,000 average quarterly daily balance of an ETP Partners' product held by our clients, we would be paid up to \$25 on an annual basis. Further, if the annual flat fee were \$500,000 and the total asset-based fee did not reach that amount, we would still be paid \$500,000.

These payments help compensate us and our affiliates for maintaining our platform and providing ongoing marketing, administration and education to our employees and investment adviser representatives. The payments are paid by the ETP Partner and/or their affiliates out of the assets or earnings of the ETP Partner or their affiliates. You do not pay more to purchase an ETP Partner's product through us than you would pay outside of the ETP Partner Program, and your investment adviser representative does not receive additional compensation for selling an ETP Partner product. For the most current description of the compensation we receive from ETP Partners, please refer to the Firm's website at, [www.summitbrokerage.com](http://www.summitbrokerage.com).

A conflict of interest exists in the recommendation of ETP Partner products since we receive additional revenue if you purchase an ETP Partner product and/or if you purchase a product from one particular sponsor instead of another. Your investment adviser representative also indirectly benefits from ETP Partner payments when the money is used to support costs relating to product review, marketing or training, or for waiver of ticket charges, as described below. Our investment adviser representatives do not receive any compensation associated with the revenue sharing payments.

When you purchase a Wisdom Tree ETP product, our affiliate, Summit Brokerage Services, absorbs the nominal "ticket charge" (sometimes referred to as a transaction charge) for each transaction, which would normally be paid by you or your representative. In general, the ticket charge will be waived for the purchase of certain ETPs in an amount of \$5,000 or more. For our Elite program and select accounts in the Managed Asset Planning program, these ticket charge waivers result in a conflict of interest between you and your investment adviser representative because your representative has a financial incentive to recommend an ETP Partner product that does not assess transaction charges over an ETP that does. We believe that these ticket charge waivers do not result in a conflict of interest between you and your investment adviser representatives in other advisory programs.

In general, if you are not comfortable with the use of ETP Partner products in your account and the resulting conflicts of interest, then you should notify your investment adviser representative of this preference and you should not participate in any advisory program that includes ETP Partner products.

### **Compensation from Sponsors of Direct Participation Programs and Other Alternative Investments**

Our affiliated broker-dealer, Summit Brokerage Services, through our representatives, offer clients a wide variety of direct participation programs and alternative products, including non-listed real estate investment trusts, limited partnerships, 1031 exchange programs, business development companies, and oil and gas programs.

Whether a representative charges a commission for the sale of a direct participation program or other alternative investment, in full or in part, is based upon whether the investment is held in an advisory or brokerage account and it is on our approved products list. If you purchase an alternative investment

product that is approved for an advisory account, it will be sold without a commission, and will be included in billable assets and reporting of account assets. If you purchase an alternative investment that is not approved for an advisory account and you would like the product held in an advisory account for convenience purposes, the product will be excluded from billable assets and reporting of account assets. In addition to commissions received by Summit Brokerage Services for the sale of these products, Summit Brokerage Services also receives due diligence and/or marketing allowance payments from certain sponsors. While the additional compensation and arrangements vary with each sponsor, some product sponsors pay a due diligence or marketing allowance fee of:

- Up to 0.20% annually on assets held at the sponsor;
- Up to 1.50% on the gross amount of each sale, depending on the product; or
- A flat fee from certain sponsors regardless of the amount of new sales or assets held in client accounts.

These payments are designed to compensate Summit Brokerage Services for ongoing marketing and administration as well as education of our employees and representatives regarding these types of products. You do not make these payments. They are paid by the product sponsor out of the assets or earnings of the product sponsor. It is important to note that you do not pay more to purchase these products through Summit Brokerage Services than you would pay to purchase them through another broker-dealer, and your representative does not receive additional compensation for selling products from sponsors that pay us such additional compensation.

This additional compensation results in a conflict of interest because our affiliate, Summit Brokerage Services, is paid more revenue-sharing fees if you purchase one type of product instead of another and/or if you purchase a product from one particular sponsor instead of another. Your representative also indirectly benefits from these sponsor payments when the money is used to support costs relating to product review, marketing or training.

## **Compensation from Cash Sweep Programs**

### **FDIC Insured Bank Deposit Sweep Account**

Under two programs, the FlexInsured Account Program and the Insured Deposit Sweep Account Program (FDIC-Insured Programs), the Firm permits available cash balances in eligible accounts at Pershing, including cash balances derived from the sale of securities, dividend payments, interest credited from bonds and cash deposits, to be automatically deposited (swept) into interest bearing deposit accounts at one of more participating program banks (Program Banks). Deposits made through a FDIC-Insured Program are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each Program Bank and up to \$2,500,000 for combined deposits at Program Banks. For the purposes of determining available FDIC coverage, funds deposited in a particular Program Bank are aggregated with all other deposits held by you (outside of the FDIC-Insured Programs) in the same insurable capacity at that Program Bank. It is your responsibility to monitor the insurable deposits that you may have with any Program Bank (including deposits outside of the FDIC-Insured Programs). Funds deposited through the FDIC-Insured Programs are not eligible for SIPC protection.

#### *FlexInsured Account Program*

The FlexInsured Account is the default sweep vehicle for non-retirement advisory accounts. For its role in offering the FlexInsured Account program, the Firm earns additional compensation in the form of a fee from Participating Banks based on the amount of money on deposit from all FlexInsured Account participants. The fees received by the Firm vary but will never exceed 4% on an annualized basis, as applied across all FlexInsured Accounts. In our discretion, we may reduce our fee and vary the amount of the reductions among clients. Additionally, the fees the Firm receives may vary from Program Bank to Program Bank and will affect the interest rate paid to you. The interest you earn may be lower than

interest rates available to depositors making deposits directly with a Program Bank or other depository institutions.

#### *Insured Deposit Sweep Account*

The Insured Deposit Sweep Account (IDSA) is the default sweep vehicle for advisory IRAs. For its role in offering the IDSA program, the Firm receives a per account fee each month. The compensation paid to the Firm under the IDSA program does not vary among IDSA participants and is not affected by amounts actually deposited through the IDSA program. The Firm's compensation under the IDSA program is determined by a fee schedule indexed to the current Federal Funds Target (FFT) Rate. The average monthly fee paid to the Firm increases and decreases by \$0.07 with every 1 basis point (a basis point is equal to 0.01%) change in the FFT Rate. In cases where the FFT Rate is a range of rates, the FFT Rate will be deemed to be the midpoint of the range rounded to the nearest thousandth of a decimal. The Firm's monthly fee varies based on the number of days in the interest period of a particular month. The Firm may be paid a maximum monthly per account fee, based on a 30-day month, of \$22.00. Although it is generally anticipated that the Firm's fee under the IDSA program will be offset by amounts paid by the Program Banks, the Firm reserves the right to withdraw the monthly account fee, or portion thereof, in the event or to the extent that the amount received from the Program Banks and paid over to the Firm is less than Firm's fee for the same period.

Some non-retirement accounts established before May 21, 2018 utilize a money market fund previously designated as an alternative sweep option for non-retirement accounts (Prior MMFs). These Prior MMFs are no longer available as a new sweep selection; however, clients that previously chose the Prior MMFs may continue to use them until a new selection is made. The Firm receives from Pershing distribution assistance in the form of annual compensation up to .78% for assets held in a Prior MMF. For a list of the money market fund options available in the cash sweep program, please consult with your investment adviser representative.

The compensation the Firm receives from the FDIC-Insured Programs and the Prior MMFs defrays its costs associated with the FlexInsured Account program and the IDSA program and is also a source of revenue. This compensation presents a conflict of interest to the Firm because the Firm has a financial benefit when cash is invested in the FDIC-Insured Programs and the Prior MMFs. However, this compensation is retained by the Firm and is not shared with your investment adviser representative, so your investment adviser representative does not have a financial incentive to recommend that cash be held in the FDIC-Insured Programs or a Prior MMFs as opposed to investing in securities.

Cash in ERISA accounts is not eligible for investment in the FDIC-Insured Programs. For ERISA advisory accounts, the Firm offers a specific money market fund or funds, which provide a yield on your daily account balances, as a cash sweep default option. The Firm and your investment adviser representative do not receive any compensation in connection with cash in ERISA accounts that are swept into any money market fund that the Firm designates for ERISA accounts.

An investment in a money market mutual fund, unlike bank deposits, is not insured or guaranteed by the FDIC or any other governmental agency, and it is possible to lose money by investing in a money market mutual fund. Money market mutual funds are covered by SIPC, which protects against the custodial risk (not a decline in market value) when a brokerage firm fails by replacing missing securities and cash up to a limit of \$500,000, of which \$250,000 may be cash.

A money market mutual fund generally seeks to achieve a competitive rate of return (less fees and expense) consistent with the fund's investment objectives, which can be found in the fund's prospectus. Rates in the money market fund option offered as a cash sweep option will vary over time and may be higher or lower than the rate paid on other sweep options (including the FDIC-Insured Programs) or other money market mutual funds not offered as a cash sweep option. The Firm may earn more by designating the Flex Insured Account or the IDSA as the default sweep option for your account. Accordingly, the Firm has a conflict in selecting cash sweep options.

## Other Types of Cash and Non-Cash Compensation

In addition to advisory fees, your investment adviser representative may earn sales awards based on the value of assets they have under management, investment products sold, number of sales, client referrals or amount of new deposits or accounts. Your investment adviser representative may also receive forgivable loans from our firm, which are conditioned on your investment adviser representative retaining our investment advisory services and/or brokerage services from our affiliated broker-dealer, Summit Brokerage Services. This additional economic benefit creates a conflict of interest for your investment adviser representative to retain affiliation with our firm to avoid repayment of a loan. Summit maintains a Code of Ethics requiring your investment adviser representative to always act in your best interest.

## Item 5 – Account Requirements and Types of Clients

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

The minimum investment required for our programs are as follows:

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

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

Programs on Other Platforms	
Program Series	Minimum Initial Investment
Summit Foliofn Portfolio	\$10,000

## Item 6 – Portfolio Manager Selection and Evaluation

### Selection and Review of Portfolio Managers

Third-party managers/strategists act as portfolio manager for the following types of wrap fee programs offered by our firm:

- Separately Managed Accounts
- Unified Managed Accounts
- Mutual Fund/ETF Advisory Programs

Our third-party manager/strategist programs are generally co-sponsored by the platform provider, who is responsible for conducting due diligence on the managers and/or strategists available through the program. Each platform provider's criteria for adding a manager or strategist to the platform or replacing a manager or strategist varies. Please refer to the platform provider's Form ADV Wrap Brochure for additional information on their portfolio manager selection and review process.

### Portfolios Managed by Your Investment Adviser Representative

Your investment adviser representative acts as portfolio manager in adviser-directed wrap fee programs. When acting as portfolio manager, our investment adviser representatives are not subject to the same selection and review standards as the institutional third-party managers that are available through many of our other wrap fee programs. Please refer to Item 4 of this brochure for a list of our wrap fee programs.

## **Advisory Business**

When acting as portfolio manager for your account, your investment adviser representative will provide the following types of advisory services:

- Active portfolio management
- Evaluation and review of a portfolio's composition
- Account management

Your investment adviser representative will work with you to build a financial plan that is tailored to your individual needs. The process starts with an assessment of your financial situation, investment objectives and risk tolerance. After discussing your investment needs and goals, your adviser will help you determine whether fee-based or commission-based services, or a combination of both, is appropriate for your financial needs and goals. It is important to understand the differences between fee-based and commission-based services.

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

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

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

Please refer to Item 4 of this brochure for additional information on our portfolio management services.

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

Summit Financial Group does not charge performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of capital gains on or capital appreciation of your assets. Side-by-side management refers to the practice of managing both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee.

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

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

- Technical analysis utilizes statistics to determine trends in security prices and tends to focus on trading volume, demand and security price fluctuations. Technical analysis is also commonly referred to as chart analysis.

- Fundamental analysis concentrates on earnings, a company's financial statements and the quality of a company's management to determine the financial strength of a company.

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

- Asset Allocation is a strategy that involves dividing an investment portfolio among different asset classes, such as stocks, bonds and cash. Various asset allocation methods may be used by your investment adviser representative to help you achieve your investment goals, including, without limitation, strategic asset allocation and tactical asset allocation.
  - Strategic asset allocation is a strategy that involves setting target allocations for various assets classes based on expected rates of return for each asset class and periodically rebalancing a portfolio back to the target allocations.
  - Tactical Asset Allocation is a strategy that involves actively shifting the percentage of assets held in various asset classes to take advantage of market opportunities and returning to a portfolio's original asset mix when desired profits are achieved.
- Diversification is a risk management technique that involves using a variety of dissimilar investments in a portfolio so that investments that yield a higher return offset investments with a negative return.
- Dollar-Cost Averaging is a strategy that involves buying a fixed dollar amount of securities at regularly scheduled intervals, regardless of the price per share. Dollar cost averaging aims at reducing the risk of incurring substantial losses resulting from investing a lump sum in securities just before a market downturn.

Investing in securities involves risk of loss that you should be prepared to bear. There is no guarantee that asset allocation, diversification or dollar-cost averaging will ensure a profit or protect against loss or that the investment recommendations made by your investment adviser representative will be accurate. Summit Financial Group cannot assure that your portfolio will increase, preserve capital or generate income, nor can we assure that your investment objectives will be realized. Your investment adviser representative may recommend a variety of security types for your account in an effort to achieve your individual needs and goals. As more investments are added to a portfolio, fees and expenses may increase, which will, in turn, lower investment returns.

### **Voting Client Securities**

Summit Financial Group does not have authority to vote client securities. You are solely responsible for receiving and voting proxies for the securities maintained in your account. You will receive proxy statements or other solicitations directly from your custodian or transfer agent. For third-party asset manager programs, the manager may require that you appoint their firm to vote proxies on your behalf. You should refer to the manager's Form ADV Brochure for additional information on their proxy voting policy. You may contact your investment adviser representative should you have any questions about a particular solicitation.

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

The personal information you provide Summit Financial Group at account opening, including, without limitation, your social security number, net worth, annual income, etc., is accessible to your investment adviser representative. Your personal information is protected in accordance with our privacy policy, which is available on our website, [www.summitbrokerage.com](http://www.summitbrokerage.com).

At least annually, your investment adviser representative will contact you to determine whether there have been any changes to your financial situation or investment objectives, and whether you wish to impose any reasonable restrictions on the management of your account or reasonably modify any existing restrictions. During this review, your investment adviser representative may request that you complete a new risk tolerance questionnaire or similar form to help you determine if any changes to your financial situation or investment objectives warrant a change to your investment strategy. In instances where a third-party manager acts as portfolio manager for your account, updates to your risk tolerance or investment objectives may be provided to the manager.

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

Your investment adviser representative is your primary contact for account questions and is reasonably available to advise you, as needed.

## **Item 9 – Additional Information**

### **Disciplinary Information**

In March 2019, Summit Financial Group, Inc., without admitting or denying the findings, submitted an Offer of Settlement which was accepted by the Securities and Exchange Commission. Summit was censured and ordered to pay disgorgement of \$932,223.80 and interest of \$100,478.98 for breaches of fiduciary duty and inadequate disclosures in connection with mutual fund share class selection practices and the fees we received. Summit was ordered to cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 207 of the Advisers Act and to comply with the undertakings enumerated in the offer of settlement. Summit self-reported to the Commission pursuant to the Division of Enforcement's Share Class Selection Disclosure Initiative.

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

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

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

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

- Summit Brokerage Services, a broker-dealer
- SBS Insurance Agency of FL, Inc., an insurance agency
- SBS of California Insurance Agency, Inc., an insurance agency

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

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

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

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

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

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

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

### **Review of Accounts**

Accounts at Summit Financial Group are reviewed on a periodic basis. At least annually, your investment adviser representative will contact you to determine whether there have been any changes to your financial situation or investment objectives, and whether you wish to impose any reasonable

restrictions on the management of your account or reasonably modify any existing restrictions. During this review, your investment adviser representative will advise you of any account changes he or she feels are necessary to help you stay on track with meeting your financial goals and will consider whether an advisory account continues to be suitable for your needs. Your account will also undergo a review by a supervisor upon account opening in an effort to ensure that a fee-based account is appropriate for you. Our Supervision Department also conducts periodic reviews of accounts for suspicious trading activity. Any issues raised during supervisory reviews are investigated and remedied, as needed. We may intermittently review client accounts when conducting routine audits and/or testing of our internal operating controls and processes, or on an as-needed basis.

In addition to the account statements you receive from your custodian at least quarterly, Summit Financial Group may also provide you with written quarterly performance reports for your account. Quarterly performance reports provide details on account holdings and performance. Written trade confirmations for the securities transactions made within your account are also provided by your custodian. You may be provided the option to opt out of receiving trade confirmations.

### **Client Referrals and Other Compensation**

Summit Financial Group and our investment adviser representatives also receive compensation from third-party asset managers in the form of training events, educational meetings, industry conferences and entertainment events. This economic benefit creates a conflict of interest in that it gives your investment adviser representative an incentive to recommend a third-party asset manager that provides them with additional compensation. We address this conflict of interest by disclosing to clients the types of compensation that our firm and our investment adviser representatives receive so clients can consider this conflict when evaluating our firm, investment adviser representatives and third-party asset managers. It is important that you consider the fees, level of service and investment strategies, among other factors, when selecting an asset manager.

Summit Financial Group pays referral fees to other individuals for referring clients to our firm. We require these individuals to comply with applicable laws, rules and regulations related to solicitation activities, including any state rules requiring registration. Individuals with which we have a solicitor arrangement have a financial interest in referring clients to our firm and investment adviser representatives, and receive a percentage of the advisory fee you pay our firm. No additional fees are assessed when clients are referred to our firm. If you are introduced to our firm or one of our investment adviser representatives through a soliciting partner, you will receive a separate written disclosure document that contains important information related to the solicitor arrangement. You should review this document carefully before opening an advisory account with our firm.

### **Financial Information**

Summit Financial Group does not require or solicit prepayment of more than \$1,200 in wrap program fees per client, six months or more in advance. We do not have any financial commitment that is reasonably likely to impair our ability to meet our contractual commitments to our clients, nor has our firm ever been the subject of a bankruptcy petition.