

# SUMMIT EQUITIES, INC.

## STATEMENT OF DISCLOSURE

This statement is provided to inform \_\_\_\_\_ that Summit Equities, Inc., hereinafter referred to as Summit Equities, is an Investment Adviser registered with the Securities and Exchange Commission and certain states. As a Registered Investment Adviser, Summit Equities is required to comply with all rules and regulations promulgated under the Investment Advisers Act of 1940, as well as such rules and regulations made applicable to Investment Advisers by certain states.

Summit Equities hereby discloses the following:

1. Summit Equities, a New Jersey corporation, is an Investment Adviser federally registered with the Securities and Exchange Commission (SEC).
2. Summit Equities, as a Securities Broker/Dealer, is a member of the National Association of Securities Dealers, Inc. (NASD) and the Securities Investor Protection Corporation (SIPC).

Summit Equities provides investment supervisory services and manages Investment Advisory accounts primarily for individuals, pension and profit sharing plans, partnerships, corporations, LLC's, trusts, and estates. Summit Equities may also provide planning services in taxes, estate, pension and profit sharing, business, insurance, and cash flow management. Summit Equities does not provide legal or accounting services.

Summit Equities may recommend investments which are sold by it or other Investment Adviser services offered by it. These include, but are not limited to, Investment Management Services. A client is not obligated to buy any recommended investments or services through Summit Equities.

In general, a purchase made through Summit Equities involves a sales charge or commission which will be listed on the client's statement confirming the trade or listed in the prospectus or Advisory contract if no confirmation is required. Only a registered representative of Summit Equities may handle (or solicit) the sale of equity products through Summit Equities. All trades must be agreed to by the client unless a written power of attorney has been executed stating otherwise.

Summit Equities provides investment advice on the following types of investments:

- Exchange-listed securities
- Securities traded over-the-counter
- Warrants
- Commercial paper
- Investment partnerships
- Oil and gas interests
- Variable annuities
- Corporate debt securities (other than commercial paper)
- United States government securities
- Mutual fund shares
- Options contracts on securities
- Certificates of Deposit
- Municipal securities
- Variable life insurance
- Asset Management Services

- A. In general, security analysis will include a fundamental analysis of an industry and/or the particular security. Information will be obtained from a major investment service, i.e., Standard & Poor's, Value Line, C.D.A. Mutual Fund Reports, Morningstar Mutual Fund Values, etc. If information is not available from a major investment service or is limited, corporate annual reports and/or 10-K's may be obtained. The material mentioned may be supplemented by information in business publications such as The Wall Street Journal, Barron's, or any other publication or newsletter available to the general public which provides information on a security or the industry being reviewed.

Technical analysis will be limited primarily to the timing of mutual funds, variable annuity and variable life accounts within a trading range as defined by investment services.

Tax-oriented investments will be examined by reviewing financial statements, projections, past history of general partners, regulation D offerings, and tax risks associated with the transactions.

- B. The principal sources of information used are described for each type of security below:

Bonds - corporate rating services, either Moody's or Standard & Poor's, and major investment service reports.

Stocks - reports of major investment services. Continuous review of The Wall Street Journal and Barron's.

New issues, including tax-oriented investments - review of prospectus or offering memorandum.

- C. In general, investment strategies will involve long-term investments (exceeding one year) unless negative information or market changes require shorter term investment. Summit Equities may recommend other Registered Investment Advisers which provide market timing services, i.e., switching of mutual funds within a mutual fund family. Generally, options will only be used on a covered writing basis. In the event that major short-term movements in securities (10-20% in 3 months or less) have occurred, such securities may be sold to realize profits. Securities may be sold in less than a year to realize short term losses for tax purposes. Stop orders may be used to reduce downside risk.
3. All arrangements concerning fees, which are negotiable, and services will be agreed upon in advance and will be memorialized in a written contract which will be kept on file at least three years. The contract cannot be assigned without the consent of both parties. It is estimated that the fees, which are negotiable, for planning services will, in general, range from approximately \$4,000 to \$50,000 depending on the complexity. It is estimated that complex plans will have a higher fee than \$50,000. Generally, the fees are payable in full at the inception of the planning process. Any client who is not satisfied with the plan may receive a full refund within ten (10) days of receipt of the plan. However, the plan must be returned to receive the refund.

Investment Supervisory Services are provided to clients wherein Summit Equities places Mutual Funds and partnerships trades and supervises these trades through the confirmations it receives to ascertain that the investments are properly executed for the benefit of the clients. Periodically, these investments may be reviewed to ensure continued suitability for the clients. Summit Equities receives as its fee the stated commissions, which are not negotiable, as per the sales prospectus of the products that are implemented.

On Mutual Funds that do not pay brokerage commissions, Summit Equities will charge a fee, not in excess of 2%, to originate the account. Generally, after the first year, a 0.25% asset fee will be charged for the annual administration and servicing of the account. The client has the right to terminate the contract without penalty within five (5) business days after entering into the contract. In the event the client terminates the contract after five business days, the origination fee is not refundable. If the client terminates the contract after the first anniversary, the current yearly fee of .25% is not refundable.

On investment products or services that do not pay commissions, Summit Equities will charge a fee, not in excess of 2%, to originate or monitor the account. The client has the right to terminate the contract without penalty within five (5) business days after entering into the contract. In the event the client terminates the contract after five business days, the origination fee is not refundable.

Summit Equities may, at the client's request, execute trades without a total review of the client's portfolio. These trades are generally executed for existing clients only. Summit Equities may, at the existing client's request, execute principal trades in order "to shop" the market for the best price for the client. Summit Equities charges the cost for clearing such trades plus a fraction that is negotiable, which is set at or lower than that which national discount brokerage firms charge.

Summit Equities may recommend other Investment Advisers as providers of investment management services for clients. Generally, a minimum account of \$100,000 - \$250,000 is required for these services. Summit Equities receives a portion of the fees received by the referred Investment Adviser for its investment management services. These fees are outlined in the Investment Adviser's Form ADV and in the contract with the client. Clients who terminate their contract for these services with the referred Investment Advisers are entitled to a refund within the terms of the agreements with the other Investment Advisers.

On the tactical asset allocation services provided by Summit Equities, negotiable fees are charged at the inception of the contract. The fees range from 1.3% to 1.9% of the account value annually. In addition, there is a \$100 annual administrative retainer fee per account. All tactical asset allocation clients are provided a separate contract which contains a balance sheet.

Summit Equities may recommend a program of strategic asset allocation and diversification based upon the stated objectives and risk tolerances of a client. Summit Equities will assist the Client to position his/her investments in accordance with the selected allocation, using investment vehicles such as managed mutual funds, variable annuities, variable life contracts, and portfolios of individual issues. On a periodic basis, the Client's portfolio will be reviewed. In this program, Summit Equities can provide management for a client portfolio on which it is not the broker of record. The maximum fee for this Strategic Asset Allocation is 1.50% annually of the total funds managed and is due in full upon signing the Agreement. For renewal accounts, the bill will be based upon the account values as of either the most recent calendar quarter or a more recent month end prior to the renewal date. All fees are paid in advance. Class A, B, C, or no load shares can be purchased for the allocation accounts with the client's prior consent. The B and C Class shares may have a contingent deferred sales charge and higher fees and expenses than other mutual fund classes.

The management fee of Summit Equities for assets in mutual fund shares is for active management asset allocation with respect to those shares and is separate and distinct from and in addition to the fees and expenses charged by the mutual funds in which client assets are invested to all the shareholders of such mutual funds. A description of such fees and expenses is available in each mutual fund's prospectus.

Summit Equities may recommend a program of Model Portfolios of mutual funds and individual stock issues that are held in street name at National Financial Services LLC, a clearing agent for Summit Equities and a member of the New York Stock Exchange.

Summit Equities has discretionary powers within the Model Portfolios and it determines the securities to be bought or sold, the amount of securities to be bought or sold, and the timing of the purchases and sales of the securities. The fees for the Model Portfolios range from 1.25% to 1.9%, depending on the total amount invested.. For the individual stock portfolios, there are additional charges for the buy/sell tickets which will range from between 0.2% and 1.2%. For the Mutual Fund Model Portfolios, no load or Class A shares @ NAV are generally used. On occasion, B or C Class shares will be purchased, and any moves in these accounts will be within the same family of funds. All fees are paid in advance.

Some Mutual Fund companies pay an annual 12 B-1 service fee to the Firm on different classes of shares, which may result in a higher expense ratio for the mutual fund, purchased for a client. Also, Summit Equities may receive other incentive compensation from securities product vendors.

The Model Portfolios are reviewed on a continuous basis or at the direction of the Chief Investment Officer with reviews triggered by market or economic events. The strategic (less active) accounts are reviewed by the registered representative at least quarterly and more often if significant economic events or changes in the client's investment situation occur. All changes in accounts are approved and signed off by a general securities principal.

Clients are notified of the movement of their funds via confirmations by the mutual fund, money market managers, or the clearing firm. The confirmations indicate the change of position in the clients' accounts. Some providers of investment management services which are recommended by the applicant notify clients of the movement of their funds.

The reviews are accomplished each time the third party investment advisers or the applicant initiate a move from one market position to another.

The client has the right to terminate any management contract without penalty within five (5) business days after entering into the contract. In the event of termination in writing by the client after five business days, a non-refundable administrative fee of \$100 for each managed account will be charged and will be retained by the manager. The balance of the fee paid for each management contract will be refunded on a monthly prorata basis. The procedure applies to both annual and quarterly fee payments. In addition, for the National Financial Model Portfolios, the non-refundable administrative fee retained will be increased an additional \$150 per model to offset the ticket charges paid by the manager to set up and then liquidate the portfolio.

4. Summit Equities is affiliated as "brother-sister" corporations, sharing common ownership and management, with the following corporations. All of the affiliates may receive fees, commissions or other remuneration from non-clients which may be the result of a sale or product or service by the affiliate to the client. Also, Summit Equities has solicitor agreements wherein fees are paid to a solicitor for referrals.

- A. Summit Financial Resources, Inc. - A New Jersey corporation which is a Registered Investment Adviser and whose primary business is that of providing financial and planning services for a fee to individuals, partnerships, corporations, trusts, and estates. Such services may include planning and/or consulting in the following areas: investments, income tax, estate, insurance, cash flow, fringe benefit, college funding, pension, retirement, business continuity, and consulting.

Summit Family Wealth Counseling, Inc. - A New Jersey corporation which is a federally registered investment adviser which provides comprehensive analyses of estate planning and may earn fees when providing such analyses. It is wholly owned by Summit Financial Resources, Inc.

- B. Summit Investments, Inc. - A New Jersey corporation which provides consulting services and earns fees and profits for services rendered related to private placement programs and other products sold through Summit Equities. In such cases, the Private Placement Memoranda will disclose that Broker/Dealers or their affiliates may be compensated in such fashion.

Summit Investments Management, L.L.C. - A New Jersey Limited Liability Company of which Summit Investments, Inc. is the sole member. It is a federally Registered Investment Adviser which provides investment supervisory services that consist of the management of partnership investments and may earn fees on such management. It is the General Partner of Summit Investment Partners, a limited partnership that invests in marketable securities.

- C. Summit Marketing, Inc. - A New Jersey corporation which provides marketing support services for the related companies. In addition, Summit Marketing, Inc. is licensed to sell various insurance products and may earn commissions or remunerations on such products.

The Summit Agency is a general insurance agency and may earn fees or compensation on insurance placed through it.

- D. Petroleum Energy Development Co., Inc. - A New Jersey corporation which provides services related to the exploration and development of oil fields and wells, and also organizes partnerships for investments in such activities. Petroleum Energy Development Co., Inc. is Managing General Partner of oil and gas drilling limited partnerships in which clients were solicited to invest.

Petroleum Energy Development Co. may earn fees or other compensation on Private Placement securities sold through Summit Equities. In such cases, the Private Placement Memoranda will disclose that Broker/Dealers or their affiliates may be compensated in such fashion.

5. Summit Equities may suggest the broker or brokers through whom securities transactions are executed. Brokers will be recommended based upon their ability to provide necessary services for the client. Brokerage commission rates for stocks and bonds will be evaluated as to their reasonableness by comparison to NASD standards. Receipt of research services is not a factor in selecting a broker.

Summit Equities may recommend investments, which are sold by Summit Equities or other broker dealers. Summit Equities may buy or sell for itself securities that it also recommends to clients.

6. The general standards of education and business experience required of financial planners associated with Summit Equities are either a college degree or a minimum of two years of business experience or equivalent training provided by Summit Equities or another qualified source.

Any investment advice provided by Summit Equities requires the approval of a Professional Standards/Investment Committee member.

7. The Professional Standards/Investment Committee members include Steven Weinman, Frederick R. Stubbs, Rembert D. McNeer, Joseph F. Rowek, and Brian D. Loreti. Their business experience and credentials are listed below.

**Steven Weinman, CPA, MBA, APC**

Date of Birth - 06/03/58

**Education**

Fairleigh Dickinson University, Madison, New Jersey,  
BS Accounting.  
New York University Graduate School of Business, New York,  
New York, MBA Finance  
New York University Graduate School of Business, New York,  
New York, APC Tax Program

**Business Experience**

Chairman of the Board of all affiliated Companies - 1/86 to present  
President -Summit Equities, Inc.- 1/86 to present  
Executive Vice President - Summit Equities, Inc. and all affiliated Companies  
9/82 to 12/85.  
President - T.R. Winston and Company, Inc. 2/82 to 8/82  
Accounting and Tax Staff, Coopers and Lybrand, 7/80 to 2/82

**Professional Credentials**

Certified Public Accountant (CPA)  
General Securities Principal, Financial and Operations  
Principal, Compliance Registered Options Principal and  
Senior Registered Options Principal, and Registered Representative  
- National Association of Securities Dealers, Inc.

**Frederick R. Stubbs, CFP® CEBA, CLTC**

Date of Birth - 07/30/42

**Education**

Rutgers University, New Brunswick, New Jersey, BA  
Business Experience  
Senior Vice President, Secretary and Treasurer - Summit  
Equities, Inc. and all affiliated Companies,  
3/82 to present

**Professional Credentials**

Certified Financial Planner ™  
Certified Estate and Business Analyst (CEBA)  
General Securities Principal, Financial and Operations  
Principal and Registered Representative  
- National Association of Securities Dealers, Inc.

**Rembert D. McNeer, J.D., CPA**

Date of Birth - 01/06/50

**Education**

University of North Carolina, Chapel Hill, N.C., B.A.,  
Physics and Mathematics

University of North Carolina, Chapel Hill, N.C., J.D.,

**Business Experience**

Vice President and CFO - Finance and Taxes, Summit Equities, Inc.  
and all affiliated Companies, 4/86 to present

Chief Compliance Officer – Summit Equities, Inc., 7/2004 to present

President and CFO – Summit Financial Resources, Inc., 2003 to present

Asst. Vice President, Corporate Finance, E.F. Hutton Co.,  
Inc., New York, New York and Atlanta, Georgia, 1980 to  
4/86

Director of Taxes, Arthur Young & Co., Atlanta, GA, 1980

Tax Supervisor, Coopers & Lybrand, 1975-1980

**Professional Credentials**

North Carolina Bar Association

Certified Public Accountant (CPA)

American Institute of Certified Public Accountants

New Jersey Society of Certified Public Accountants

General Securities Principal, Financial and Operations Principal,

Municipal Securities Principal, and Registered Representative

- National Association of Securities Dealers, Inc.

**Joseph F. Rowek, JD, LLM**

Date of Birth - 07/21/46

**Education**

Fairleigh Dickinson University, Teaneck, New Jersey, BS Accounting

St. Mary's University Law School, San Antonio, Texas, J.D.

New York University, New York, New York, LL.M., Taxation

**Business Experience**

Vice President - Summit Financial Resources, Inc. and

Summit Equities, Inc., 10/92 to present

Employee Benefits Attorney - The Mutual Benefit Life Insurance Co.

08/81 to 09/92

**Professional Credentials**

New Jersey Bar Association - 1975

General Securities Principal and General Securities Representative

- National Association of Securities Dealers, Inc.

**Brian D. Loreti, JD, LLM**

Date of Birth - 01/31/58

**Education**

University of Connecticut, Storrs, Connecticut,  
B.A. Political Science  
Capital University Law School, Columbus,  
Ohio, J.D.  
Boston University School of Law, Boston,  
Massachusetts, L.L.M. Taxation

**Business Experience**

Staff Attorney, Summit Financial Resources, Inc., 1999 - Present  
Manager, Tax Planning/Research, Mutual Benefit Life/MBLLAC, 1988- 1999  
Manager, Tax Planning/Research, Baker Industries, 1986 – 1988  
Associate Attorney, Harvey R. Poe, PA, 1985 -1986

**Professional Credentials**

Member, NJ Bar, 1983  
General Securities Principal and General Securities Representative  
- National Association of Securities Dealers, Inc.

**Michael S. Mirone, J.D., LL.M**

Date of Birth -12/28/70

**Education**

Boston University, Boston, Massachusetts  
B.S. Business Administration  
Seton Hall University School of Law, Newark, New Jersey  
J.D.  
New York University School of Law, New York, New York  
LL.M. Taxation

**Business Experience**

Tax Attorney - Hanocho Weisman  
Trusts and Estates Attorney - Sills Cummis Epstein & Gross, P.C.  
Tax/Trusts and Estates Attorney - Waters McPherson & McNeill  
Tax/Trusts and Estates Attorney - Norris McLaughlin & Marcus, P.A.  
Corporate Counsel to Several Family-Owned Businesses

**Professional Credentials**

Member, NJ Bar, 1996  
Member, NY Bar, 1997  
General Securities Principal and General Securities Representative  
- National Association of Securities Dealers, Inc.

8. The Principals of Summit Equities, Inc. are:

- |                               |                               |
|-------------------------------|-------------------------------|
| 1. Steven Weinman             | 10. Rembert Durbin McNeer III |
| 2. Joseph William Spada       | 11. Steven Wayne Lieberman    |
| 3. Frederick Raymond Stubbs   | 12. David Richard Chepauskas  |
| 4. Salvatore Robert Salvo     | 13. Kevin Phillip Rex         |
| 5. John Michael Pappadopoulos | 14. Carmine J. Armenti        |
| 6. Michael William Conway     | 15. Kenneth D. Durfee         |
| 7. Frank Araneo               | 16. Lawrence M. Bell          |
| 8. Martin Lin Singer          | 17. David I. Fischbach        |
| 9. Frank Lawrence Vanore      | 18. Gregory Jandoli           |

9. Form ADV, Part II is available to any client requesting it.

10. Any complaints or questions concerning services performed by Summit Equities should be addressed to:

Steven Weinman  
Chairman of the Board  
Summit Equities, Inc.  
4 Campus Drive  
Parsippany, New Jersey 07054  
(973) 285-3670

I have read this statement of disclosure, understand its contents and agree to engage Summit Equities for Investment Advisory Services (including the rendering of Investment Advice).

I understand that any recommendations for investment supervisory services or management of investment Advisory accounts are to be reviewed by a member of the Professional Standards/Investment Committee.

Any controversy or claim arising out of or relating to the services of Summit Equities including a contract or the breach thereof, shall be settled by arbitration in accordance with the Code of Arbitration Procedure of the National Association of Securities Dealers, Inc. in the state of New Jersey, and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Client's Signature

\_\_\_\_\_  
Client's Signature  
(if joint or other applicant)

Address:  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Please return to Investment Advisory Associate or  
Summit Equities, Inc.

\_\_\_\_\_  
Summit Equities Investment Advisory Associate  
(Please Print)