



**Part 2A of Form ADV: Firm Brochure**

**Item 1 Cover Page**

*This brochure provides information about the qualifications and business practices of Summit Equities, Inc. If you have any questions about the contents of this brochure, please contact us at 973-285-3670 or by email at [compliance@sfr1.com](mailto:compliance@sfr1.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 Equities, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Summit Equities, Inc CRD number is 11039.*

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*Registration does not imply a certain level of skill or training*

Version Date as of 3/31/2013

## Item 2 Material Changes

*Summit Equities, Inc. has had no material changes in business.*

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**A. Description of the Advisory Firm**

*Summit Equities, Inc. is a SEC Registered Investment Adviser; Securities Broker/Dealer Member [FINRA](#) and the Securities Investor Protection Corporation ([SIPC](#))*

*Summit Equities houses an experienced staff of portfolio design, investment managers and strategists, and options and equities trading professionals. It is not affiliated with any one particular investment company.*

*The firm has been in business since April 30, 1982.*

**B. Types of Advisory Services**

Summit Equities, Inc (“Summit”) offers the following services to advisory clients:

**1. Investment Supervisory Services**

Summit offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. Summit will obtain profile information of each client to aid in the selection of a portfolio that matches each clients’ specific situation. Investment Supervisory Services include, but are not limited to:

- ❖ Investment Strategy
- ❖ Asset Allocation
- ❖ Risk Tolerance Assessment
- ❖ Asset Selection
- ❖ Regular Portfolio Monitoring

Investment Supervisory Services are provided to our clients wherein we place mutual funds and partnerships trades and supervise these trades through the confirmations we receive to ascertain that the investments are properly executed for the benefit of our clients. Summit provides a program of strategic asset allocation and diversification based upon the stated objectives and risk tolerances of a client. Summit will assist the client to position his/her investments in accordance with the agreed upon allocation, using investment vehicles such as managed mutual funds, variable annuities, variable life contracts, and portfolios of individual issues. In this program, Summit Equities can provide management for a client portfolio on which it is not the broker of record.

**2. Financial Planning**

The majority of the fee based financial planning services are provided by Summit’s affiliate, Summit Financial Resources Inc. The services are based on fixed fees and the final fee structure is documented in the financial planning agreement.

### **3. Services Limited to Specific Types of Investments**

Summit limits its investment advice and/or asset management to mutual funds, equities, fixed income, ETF's, hedge funds, REITs, insurance products including equity index, variable, and fixed annuities. Summit may use other securities as well to help diversify a portfolio when applicable.

### **C. Client Tailored Advisory Services**

Summit offers the same suite of services to all of its clients. However, each client profile assessment is used to construct a portfolio specific to that clients needs, restrictions, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent Summit from properly servicing the client account, or if the restrictions would require Summit to deviate from its standard platform of services, Summit reserves the right to end the relationship.

### **D. Wrap Fee Programs**

Summit does not engage in wrap fee programs.

### **E. Assets Under Management**

Discretionary	\$1,048,442,521
Non Discretionary	<u>\$ 871,538,545</u>
<b>Total AUM</b>	<b><u>\$1,919,981,066</u></b>

Total Assets Under Management were calculated as of December 31, 2012

## Item 5 Fees and Compensation

### A. Fee Schedule

#### *Investment Supervisory Services Fees*

Investment Supervisory and Asset Management Services fees vary depending on the type of portfolio. Clients may terminate their accounts in writing without penalty within 5 business days of signing the advisory contract. Advisory fees are withdrawn directly from the client's accounts with client written authorization. In the event of termination 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 pro-rated basis. The procedure applies to both annual and quarterly fee payments. Fees paid on a monthly basis are not refundable.

#### **FEE SCHEDULE**

#### **AMOUNT OF FEE ON ANNUAL BASIS**

STRATEGIC ASSET ALLOCATION:	1.5%	Maximum Fee **
TACTICAL ASSET ALLOCATION:		
Flexible Asset Allocation	1.9%	Maximum Fee
NATIONAL FINANCIAL PORTFOLIOS*:		
(Requires \$100,000 min account unless stated otherwise)		
Customized Flexible Managed Account (FA7)	1.5%	Maximum Fee**
Strategic Models Program	1.5%	Maximum Fee***
Strategic Models in Jefferson National	1.5%	Maximum Fee
Sub Advisers & Third Party Money Managers		
Gates Advisors	1.65%	Maximum Fee**
Alliance Bernstein	1%	Maximum Fee**
Brinker Capital		Please refer to Client Agreement with Mo
SEI		Please refer to Client Agreement with Mo
Investnet		Please refer to Client Agreement with Mo

The final fee schedule is attached to every Investment Management Agreement. Fees are paid in advance monthly for Summit proprietary models. Fees are paid quarterly in advance for all Sub advisors and Third Party Managers. For the individual stock portfolios, there are additional charges for the buy/sell tickets which will range from between 0.2% and 1.2%.

#### *Financial Planning Fees*

Depending upon the complexity of the situation and the needs of the client, the rate for creating client financial plans is between \$2,000 and \$25,000. Fees are paid in advance, but never more than six months in advance. Clients may terminate the contract without penalty within five (5) business days after entering into the contract. After five (5) business days, and in the event the client that the client is not satisfied, they may request a refund in writing. The first 50% of the fee is considered direct cost and is not refundable. The remaining 50% of the fee will be refunded on a monthly prorated basis.



## **B. Payment of Fees**

### ***Payment of Investment Supervisory Fees***

Advisory fees are withdrawn directly from the client's accounts with the client written authorization. Fees are paid in advance.

### ***Payment of Financial Planning Fees***

Financial planning fees are paid via check in advance, but never more than six months in advance. Refunds for fees charged in advance are discussed in this section "Financial Planning Fees"

## **C. Clients are Responsible for Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees, mutual fund fees, transaction fees, etc.) Those fees are separate and distinct from the fees and expenses charged by Summit. Please see Item 12 of this brochure regarding broker/custodian.

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

Summit accepts compensation for the sale of securities to clients.

### **1. This is a Conflict of Interest**

Summit and its supervised persons will accept compensation for the sale of securities or other investment products, including asset based sales charges or services fees from the sale of mutual funds to its clients. This presents a conflict of interest and gives the supervised person and Summit an incentive to recommend products based on the compensation received rather than on the client's needs.

### **2. Clients Have the Option to Purchase Recommended Products from Other Brokers**

Clients always have the option to purchase Summit recommended products through other brokers or agents that are not affiliated with Summit.

### **3. Commissions are the Primary Source of Income for this RIA**

Commissions are not Summit's primary source of compensation.

### **4. Advisory Fees in Addition to Commissions or Markups**

Advisory fees that are charged to clients are not reduced to offset the commissions to markups on securities or investment products recommended to clients.

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

*Summit Equities, Inc. 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.*

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

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

- ❖ Individuals
- ❖ High Net Worth Individuals
- ❖ Corporations and/or Business Entities
- ❖ Pension & Profit Sharing Plans

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

Summit does not impose an account minimum on brokerage accounts. However, 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. Additionally, Summit will impose minimums on its proprietary platform. These minimums are outlined in the contract with the client and are also available upon request. Summit may also recommend a program of Model Portfolios 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.

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

### A. Description of Analysis and Investment Strategies

Summits methods of analysis include fundamental analysis and technical analysis.

*Fundamental analysis* comprises the review of financial statements, media reports, and assessment of management of the funds, including but not limited to level of expertise and longevity of experience.

*Technical Analysis* comprises the analysis of historic market data; primarily price and volume.

### B. Potential Risks in Investment Strategies

Summit utilizes long term and short term trading, options writing including covered options, uncovered options, or spreading strategies. In addition, it assists clients in long term deferred income strategies through use of variable annuities. Strategies also include hedging strategies through the use of hedge funds.

Summit's proprietary platform may provide tactical asset allocation services for clients in an investment program using a defensive and one or more aggressive mutual funds.

**Investing in capital markets involves substantial risk that you, as a client, should be prepared to bear.**

### C. Specific Securities Risk

Clients purchasing variable annuities can expect to see additional charges imposed by the insurance manufacturer including mortality and expense charges, administrative fees, and annual contract fees. Withdrawals of earnings will be subject to income tax and possible federal tax. Surrender charges may apply for early withdrawal. Investment options may be restricted with living benefits riders. 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. Risks in commodities investing are subject to world events, liquidity, shifting market preferences, trade signal disruption, and many other things that cannot be successfully predicted, but do have a significant impact on your future results. 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. Thus, a U.S. stock fund will typically move to a greater or lesser extent with the overall U.S. stock market. 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.

**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.**

## Item 9 Disciplinary Information

*There are no legal or disciplinary events for Summit or those that meet the definition of managed persons for purposes of this brochure.*

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Summit is registered as a broker/dealer with the Financial Industry Regulatory Authority (“FINRA”). All advisers with Summit are also registered representatives with FINRA.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither Summit nor its registered representatives are registered as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Summit Equities effects security transactions for compensation for any client. An affiliate of the applicant may earn fees or other compensation on Private Placement securities sold through Summit Equities, Inc. In such cases, the Private Placement Memorandum will disclose that Broker/Dealers or their affiliates may be compensated in such fashion. Summit Equities, Inc. has portfolios that may contain the same or similar securities as those recommended to clients. If Summit Equities, Inc. recommends a security to clients that Summit will buy for its own portfolio, the client's interest will have precedence over Summit's interest. In general, a client's order will be entered before Summit's or a RR's order in the same security. 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. 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. 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 FINRA standards. Registered Representatives and Advisors are compensated for the sale of a product or service. Compensation programs fall into three basic categories: 1) commission; 2) contingent compensation; and 3) additional incentives. They may receive some or all forms of this compensation as incentive to sell and promote certain products.

### **D. Selection of Other Advisors and Related Compensation Arrangements**

Summit Equities may recommend other Investment Advisers as providers of investment management services for clients. Summit may be compensated via a fee share from the advisors to which it directs those clients. This relationship will be disclosed in each contract between Summit and each third party advisor. The fees shared will not exceed any limit

imposed by any regulatory agency. This creates a conflict of interest in that Summit has an incentive to direct clients to the third party money managers that provide Summit with a larger fee split. Summit will always act in the best interests of the client, including when determining which third party manager to recommend to clients. Summit will ensure that all recommended advisors or managers are licensed or notice filed in the states in which Summit is recommending them to clients. Separately, 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.

**Summit Financial Resources, Inc.** -A New Jersey corporation which is a Federally 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 Investments, Inc.** - A New Jersey corporation which provides consulting services and earns fees for services rendered to Summit Equities.

**Summit Investment 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 services for a fee to individuals.

**Summit Risk Management, Inc.** - A New Jersey corporation which provides marketing support services for the related companies. In addition, Summit Risk Management, 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.

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

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

### **A. Code of Ethics**

Summit maintains a Written Code of Ethics that covers prohibited purchases and sales, insider trading, personal securities transactions, exempted transactions prohibited activities, conflicts of interest, gifts and entertainment, confidentiality and privacy, compliance procedures, certification of compliance, training and education, record keeping, and annual review. Clients may request a copy of our Code of Ethics by contacting 973-285-3670 or by emailing [compliance@sfr1.com](mailto:compliance@sfr1.com).

### **B. Recommendations Involving Material Financial Interests**

Summit Equities, Inc. has portfolios that may contain the same or similar securities as those recommended to clients. If Summit Equities, Inc. recommends a security to clients that Summit will buy for its own portfolio, the client's interest will have precedence over Summit's interest. In general, a client's order will be entered before Summit's or a RR's order in the same security.

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of Summit Equities may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for the representatives of Summit to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Summit will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being sold.

### **D. Trading Securities At/Around the Same Time as Clients Securities**

From time to time, representatives of Summit may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of Summit to buy or sell securities before or after recommending securities to clients resulting in representative profiting off the recommendations they provide to clients.



## Item 12 Brokerage Practices

### **A. Factors Used to Select Custodians and/or Brokers/Dealers**

Summit's custodian is National Financial Services ("NFS") They were chosen based on their relatively low transaction fees and access to mutual funds and ETF's. Summit will impose additional fees to cover the internal cost of facilitating the transaction with NFS

#### **1) Research and Other Soft Dollar Benefits**

Summit does not receive research, product, or service benefits other than standard execution from a broker dealer or third party in connection with client securities transactions.

#### **2) Brokerage for Client Referrals**

Summit does not receive referrals from a broker dealer or third party in exchange for using that broker dealer or third party.

#### **3) Clients Directing Which Broker/Dealer/Custodian to Use**

Summit will not allow client direct Summit to use a specific broker dealer to execute transactions. Clients must use Summit recommended custodian (broker-dealer)

### **B. Aggregating (Block) Trading for Multiple Client Accounts**

Summit maintains the ability to block trade purchases across accounts for discretionary managed accounts. While block trading may benefit clients by purchasing larger blocks in groups, we do not feel that the clients are at a disadvantage due to the best execution practices of our custodian.

## **Item 13 Review of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Summit's proprietary 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. Clients in individual model programs are reviewed on a periodic basis based on the financial condition and profile of the client and annually by the adviser of the account. Clients with assets held with third party money managers are reviewed on a quarterly basis.

### **B. Factors That Will Trigger a Non-Periodic Review of a Client Account**

Reviews may be triggered by material market, economic, or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, inheritance, or other life events)

### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive at least quarterly a written report that details the client's account which may come from the custodian.

Clients may also request summary reports of all of their assets with all third parties as well as NFS.

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

**A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients  
(Includes Sales Award or Other Prizes)**

Summit does not receive any economic benefit, directly or indirectly from any third party for advice rendered to Summit clients.

**B. Compensation to Non-Advisory Personnel for Client Referrals**

Summit may from time to time compensate solicitors for client referrals. Terms of the compensation are disclosed to the client in the management contract and upon request.

## **Item 15 Custody**

Clients will receive, at a minimum, quarterly statements from the custodian, or other qualified custodians and should carefully review those statements.

## **Item 16 Investment Discretion**

Summit retains discretionary authority over specific model portfolios on its platform 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 Summit's discretionary authority for management accounts extends to determining what mutual funds or individual equities and what amount of each are to be bought or sold in a particular portfolio. For these accounts, no load or Class A shares @ NAV are generally used. In the past, B or C Class shares fund accounts were created with any moves in these accounts made within the same family of funds. Some B or C share accounts continue to be managed, but generally no further such accounts are offered unless approved by the client.

**Item 17 Voting *Client* Securities**

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

## Item 18 Financial Information

### A. Balance Sheet

ASSETS		LIABILITIES AND STOCKHOLDERS' EQUITY	
Cash and cash equivalents	\$ 3,930,865	Accounts Payable to clearing organization	\$ 89,640
Receivable from clearing organization and other receivables.	2,518,284	Current Liabilities	2,802,696
Fixed and Long Term Assets	577,506	Long Term Liabilities	276,613
Total Assets	<u>\$ 7,026,655</u>	Total Liabilities	<u>3,168,949</u>
		COMMITMENTS AND CONTINGENCIES	
		Stockholders' equity	
		Common stock, no par value, Class A; authorized 1,250 shares; 60.720 issued	\$ 7,500
		and 39.250 shares outstanding Class B; non-voting; authorized 1,250 shares; 166.060 issued and 127.660 shares outstanding	15,178
		Additional paid-in capital	1,137,172
		Retained earnings	3,634,714
		Treasury stock, 21.470 shares of Class A held at cost	(332,320)
		Treasury stock, 34.830 shares of Class B held at cost	(604,538)
		Total stockholders' equity	<u>3,857,706</u>
			<u>\$ 7,026,655</u>

**B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients.**

Neither Summit nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

### C. Bankruptcy Petitions in Previous Ten Years

Summit has not been the subject of any bankruptcy petition in the last ten years.

**Item 19 Requirements for State-Registered Advisers**

*Summit is registered with the Securities Exchange Commission*