

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

**LUNT CAPITAL MANAGEMENT, INC.**

215 South State Street  
Suite 100  
Salt Lake City, UT 84111

Telephone: (801) 503-3035  
Facsimile: (801) 328-1827  
E-mail: [info@luntcapital.com](mailto:info@luntcapital.com)  
Web Address: [www.luntcapital.com](http://www.luntcapital.com)

3/25/2014

**This brochure provides information about the qualifications and business practices of Lunt Capital Management, Inc. (hereinafter “LCM” or “firm” or “we”). If you have any questions about the contents of this brochure, please contact us at (801) 503-3035 or at [info@luntcapital.com](mailto:info@luntcapital.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 LCM is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for LCM is 125183.**

## **Item 2.           Summary of Material Changes**

Our current (updated) Form ADV, Part 2 will be available to our existing and prospective clients 24 hours a day through the Investment Adviser Public Disclosure website.

Additionally, we will annually and within 120 days of the end of our fiscal year, provide you either: (i) a copy of our Form ADV, Part 2 that includes or is accompanied by a summary of material changes; or (ii) a summary of material changes that includes an offer to provide a copy of the current Form ADV, Part 2. We urge you to carefully review all subsequent summaries of material changes, as they will contain important information about any significant changes to our advisory services, fee structure, business practices, conflicts of interest, and disciplinary history.

**Item 3. Table of Contents**

<b>Item</b>	<b>Section</b>	<b>Page Number</b>
1.	Cover Page	1
2.	Material Changes	2
3.	Table of Contents	3
4.	Advisory Business	4
5.	Fees and Compensation	6
6.	Performance-Based Fees and Side-by-Side Management	8
7.	Types of Clients	8
8.	Methods of Analysis, Investment Strategies and Risk of Loss	9
9.	Disciplinary Information	13
10.	Other Financial Industry Activities and Affiliations	13
11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	14
12.	Brokerage Practices	15
13.	Review of Accounts	16
14.	Client Referrals and Other Compensation	17
15.	Custody	19
16.	Investment Discretion	19
17.	Voting Client Securities	19
18.	Financial Information	20

#### **Item 4. Advisory Business**

LCM is a fee-based SEC-registered investment adviser with its principal place of business located in Salt Lake City, Utah. We have been in business since 2003. John Lunt, President and Shareholder, Ryan Hessenthaler, COO and Shareholder, Larry Lunt, Shareholder, and Susan Lunt, Shareholder, are the owners of LCM.

##### Sub-Advisory Services

We provide Model Portfolio Management Services as a sub-adviser. In other words, a client may engage an independent registered investment adviser or an adviser associated with a Broker-Dealer (hereinafter, "Adviser") which, in turn, will engage our firm (and possibly other investment advisers) to provide portfolio management services to all or part of its clients' portfolios. In this situation, the client is a client of the Adviser and not LCM, and, therefore, the Adviser and not our firm will be responsible for collecting and analyzing client investment goals and objectives and determining the suitability of one or more of our investment models. Once such an assessment takes place, the Adviser will instruct us as to which investment model to use for each sub-advised account. The Adviser will be responsible for updating client suitability information and reassessing the suitability of the selected LCM investment model on an ongoing basis. Our firm will receive a fee charged to the client in accordance with the agreement between us and the Adviser. Clients of Advisers should refer to the Adviser's disclosure document for additional information regarding its advisory services, total fees, conflicts of interest and other important information. LCM has discretion to implement recommendations made in the performance of these services.

We also provide Portfolio Management Services as an Investment Manager for a collective investment fund maintained by trustees that is designed to serve the investment needs of tax-qualified retirement plans. We will receive a portion of the trustee's fee paid by clients of the trustee as outlined in LCM's agreement with the trustee.

##### Model Portfolio Services

We also provide access to our investment model portfolios to other investment advisers who are clients of LCM. Under this service, we will provide investment advisers with allocations and holdings in our proprietary investment models and send them updates any time changes are made to the models. Because LCM does not have discretion to implement recommendations, investment advisers may, at their sole discretion, decide to implement or decline to implement any or all of our provided recommendations.

##### 401k Plan Model Services

We also provide Portfolio Management Services to 401k plans that elect to have plan assets managed within LCM models. LCM has discretionary authority over the management of these assets.

### Wrap Fee Services

Our firm provides investment advisory services to clients that are part of a Wrap Fee program. The initiating adviser or Wrap Fee Sponsor has the ongoing responsibility to assess suitability of the particular investment that is managed by us. We receive a portion of the Wrap Fee for our investment advisory services.

### Portfolio Management Services and Model Portfolio Management Services

LCM provides investment advice or has trading authority over accounts for individuals, entities, and retirement plans. Our portfolio management services range from regular portfolio monitoring and recommending and/or arranging purchases or sales of particular investments to complete trading authority for an account.

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions regarding a client's particular circumstances, we recommend investment solutions. During our discussions, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs, whether the client be an individual, entity, or retirement plan. We may also review and discuss a client's prior investment history, as well as family composition and background.

We will manage advisory accounts on a discretionary or non-discretionary basis, as agreed with each client. We customize the portfolio to meet the individual client's needs.

Our firm also provides portfolio management services to clients using model portfolios, outside investments, or a combination of the two. We work with each client to determine which model portfolio or combination of model portfolios and other investments meet the client's needs.

Through discussions with the client in which the client's goals and objectives are established, we will determine if and which model portfolio is suitable to the client's circumstances. The model portfolio will be managed based on the portfolio's strategy, rather than on each client's individual needs. Clients will retain individual ownership of all securities.

### 7Twelve Partners

We provide various products and services to other investment advisors that have entered into collaboration and sublicense agreements with us relating to our license of certain intellectual properties and know-how embodied in the 7Twelve<sup>®</sup> investment and portfolio methodology.

### Services in General

Our advisory recommendations are not limited to any specific product or service. Our Model Portfolios follow a strategic or a tactical, quantitative, relative strength management process. The Model Portfolios are typically composed of the following Instruments:

- Exchange Traded Funds (ETFs)
- Exchange Traded Notes (ETNs)
- Equity securities
- Corporate debt securities
- “No-load” or “load-waived” mutual funds

We also regularly use these instruments in recommendations outside of model portfolios.

Occasionally, we may also recommend or manage the following instruments:

- Closed-end funds
- Collective Investment Funds
- Preferred stock
- Unit investment trusts
- Securities of foreign issuers
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable annuities
- Variable life insurance
- United States government securities
- Option contracts on securities and commodities
- Futures contracts on tangibles and intangibles
- Interests in private placement offerings and/or limited investment partnerships, such as, hedge funds and other pooled investment partnerships, including those investing in real estate and oil and gas interests. Additional information about the fees related to such investments is included in the offering documents provided to prospective investors. Because these types of investments involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

Discretionary assets under our firm’s management were \$83,838,875 as of February 28, 2014.

Non-discretionary assets under our firm’s management were \$21,468,789 as of February 28, 2014.

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

### Sub-Advisory Services

Our annual fee for sub-advisory services will typically range from 0.25% to 0.75% of assets under our management.

#### Model Portfolio Services

Our annual fee for model portfolio services will typically range from 0.35% to 0.75% of assets allocated to the model/strategy maintained by our firm.

#### Wrap Fee Services

Our annual fee for Wrap Fee Services will typically range from 0.25% to 0.75% of assets under our management.

#### Model Portfolio Management Services

Our annual fee for model portfolio management services will typically range from 0.50% to 2.00% of assets under our management.

#### Portfolio Management Services

Our annual fee for portfolio management services will typically range from 0.50% to 2.00% of assets under our management.

#### 7Twelve Partners

Our standard fee for 7Twelve Partners is the greater of \$3,000 or one (1) basis point on all assets under management by the 7Twelve Partner but may vary.

#### Fees in General

We will either directly debit client accounts, invoice clients, or receive a fee directly from advisers or their firms who calculate and deduct fees from client accounts (as specifically agreed with each client). These fees are typically charged quarterly in arrears at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter (pro-rated for additions and withdrawals), based upon the average daily balance, or based upon the value of the account on the last trading day as determined by the applicable advisory agreement. In some cases, as specifically agreed with each client, these fees will be charged monthly and in some cases the fees may be charged in advance but never to exceed \$1200 six months or more in advance.

Fees for all services are negotiable based upon certain criteria (e.g., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.) and may take the form of a flat monthly, quarterly, or annual fee. Discounts up to full waiver of

fees, not generally available to all our advisory clients, may be offered to family members and friends of LCM and others at the discretion of LCM.

We may group certain related client accounts for the purposes of determining the account size and/or annualized fee.

Certain legacy client agreements may be governed by fee schedules different from those listed above.

Under no circumstances will we earn fees in excess of \$1,200 more than six months in advance of services rendered.

#### Account Termination

Clients may terminate their agreement by providing us with a written notice at our principal place of business at any time. Upon termination of any account, any prepaid, unearned fees will be refunded, and any earned, unpaid fees will be due and payable. Agreements cannot be assigned or transferred without prior written permission.

#### ETF, ETN, Fund, and Partnership Fees and Expenses

All fees paid to our firm for investment advisory services are separate and distinct from the fees and expenses charged by ETFs, ETNs, Funds, and Partnerships to their shareholders or limited partners. These fees may include a management fee, other fund expenses, and a possible distribution fee. A client may be able to invest in an ETF, ETN, Fund, or Partnership directly, without the services of our firm. In that case, the client would not receive the services provided by us which are designed, among other things, to assist the client in determining which ETFs, ETNs, Funds, and Partnerships are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the ETFs, ETNs, Funds, and Partnerships and the fees charged by us to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

#### Brokerage and Custodial Fees

In addition to advisory fees paid to our firm, clients will also be responsible for all transaction, brokerage, trade-away and custodial fees incurred as part of their account management. Please see Item 12 of this Brochure for important disclosures regarding our brokerage practices.

### **Item 6. Performance-Based Fees**

We do not charge any fees based on a share of capital gains on or capital appreciation of the assets of a client.

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



Our firm generally provides advisory services to advisory firms, model portfolio providers, advisors associated with a Broker-Dealer, 401k plans, wrap program providers, collective investment funds, individuals, pension and profit sharing plans, trusts, estates or charitable organizations, corporations or other business entities.

We do not currently impose any minimum annual fees or account minimums. However, in certain advisory relationships, minimum account size restrictions exist typically ranging from \$50,000 to \$100,000.

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

Our firm employs the following types of analysis to formulate client recommendations.

Technical analysis. We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and to potentially adapt to future price movements.

Cyclical analysis. In this type of technical analysis, we measure the movements of a particular security relative to another security, market, or group of securities. We employ relative strength and other quantitative, tactical strategies that rely on historical prices and volatilities to dynamically rotate portfolio positions.

Charting. In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market or security is moving up or down and to anticipate when and how long the trend may last and when that trend might reverse. Technical analysis does not consider the underlying financial condition of a company, security, economy, or market. This presents a risk in that a poorly-managed or financially or economically unsound company, market, or economy may underperform regardless of broad market movement.

Fundamental analysis. We may evaluate economic, industry, market, and company-specific data and metrics as part of our investment analysis. We may also perform an evaluation of economic, political, regulatory, and company-specific policies and management as part of our investment analysis.

Fundamental analysis is subjective, and dependant on assumptions that could prove to be incorrect. Fundamental analysis is less oriented towards anticipating market movements. This presents a potential risk, as the price of a security can move up or down along with or contrary to the market or along with other securities regardless of the economic or financial factors considered.

Risks for all forms of analysis: Our securities analysis method relies on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised

by inaccurate or misleading information. We further rely on additional data from third parties and internal proprietary data that may also be incorrect.

A risk of ETF, ETN, Fund, and Partnership analysis is that, as in all securities investments, past performance does not guarantee future results. A manager, index, or instrument that has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in an ETF, ETN, Fund, or Partnership, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may change or deviate from the stated investment mandate or strategy of the ETF, ETN, Fund, or Partnership which could make the ETF, ETN, Fund, or Partnership less suitable for the client's portfolio.

Our firm employs the following investment strategies to implement investment advice given to clients:

Short-term purchases: We purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A risk in a short-term purchase strategy is that, should the anticipated price swing not materialize, we are left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

Trading: We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

A risk in a short-term purchase is the potential for sudden losses if the anticipated price swing does not materialize. Moreover, should the anticipated price swing not materialize, we are left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

Long-term purchases: We may purchase securities with the idea of holding them in the client's account for a year or longer. We may do this because we believe the securities to be currently undervalued. We may do this because we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that, by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

In limited circumstances, we may recommend the following:

Short sales: LCM may include in portfolios it manages or in recommendations it makes, short selling and inverse funds. Short sales or inverse funds may be used if it is determined an event is likely to have a downward impact on the market price of a security. In addition, short positions may be taken if it is determined that such positions will reduce the risk inherent in taking long positions. If short sales are used, we borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares in the future. We then sell the shares we have borrowed. On a future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. The extent to which the investment engages in short sales will depend upon its strategy and perception of market direction. If the stock has gone down since we purchased the shares from the original owner, we keep the difference.

One risk in selling short is that losses are theoretically unlimited; we are obligated to repurchase the stock no matter how much the price has climbed. In addition, even if we are correct in determining that the price of a stock will decline, we run the risk of incorrectly determining when the decline will take place. Additionally, there can be no assurance that securities necessary to cover a short position will be available for purchase.

Margin transactions: If margin transactions are used, we may purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

A risk in margin trading is that, in volatile markets, securities prices can fall very quickly. If the value of the securities in your account minus what you owe the broker falls below a certain level or ratio, the broker will issue a “margin call”, and you will be required to sell your position in the security purchased on margin or add more cash to the account. In some circumstances, you may lose more money than you originally invested.

Additional risks: ***Clients should understand that investing in any securities, including mutual funds, ETFs, and ETNs involves a risk of loss of both income and principal that a client should be prepared to bear.***

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS. All investments, including those managed or recommended by LCM, involve risk factors that prospective investors should consider before investing. These investments are suitable only for investors who are willing to accept substantial risks of loss, including loss of

entire principal. The success of an investment's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls, and national and international political circumstances, including terrorism, war or the threat of terrorism or war. These factors may affect the level and volatility of securities prices and the liquidity of the investments. Volatility or illiquidity could impair the Investment's profitability or result in losses. Investments may include equity securities which generally involve a high degree of risk. Prices are volatile and market movements are difficult to predict. Furthermore, the investment may not hold a widely diversified portfolio of issues by industry or issuer. Some of these issuers may have small capitalizations, limited operating histories, limited following from Wall Street brokerage firms and may be vulnerable to competition from much larger companies. In addition, trading in small issuers or privately held issuers may be problematic due to liquidity issues.

LCM managed portfolios and recommendations may include frequent trading. Such frequent trading results in increased costs and other effects.

LCM may use ETFs and ETNs in certain portfolios. It is important to note that ordinary brokerage commissions apply when buying or selling a position. Thus, investors should consider these costs in light of the anticipated frequency and prospective invested dollar amounts when evaluating ETFs. ETFs may be suitable for long-term investment in the market represented in the relevant index and may also be used as an asset allocation tool or as a speculative trading instrument. It is important to note that investor risk profile, initial investment and time frame all play an important role in determining investment objectives. There are risks involved with investing in ETFs including possible loss of money. Other risks include risks similar to stocks, including those regarding short selling and margin maintenance requirements. Concentrated industry investments involve greater risks than more diversified investments. The value of the stocks or futures in some of the underlying indexes may be more volatile than stocks or futures of other issues. An investor should anticipate that the value of their shares will increase or decrease in value more or less in correlation with increases or decreases in value of the underlying indexes. Leveraged ETFs or ETNs may vary widely from benchmarks due to the impact of compounding. ETNs are typically senior, unsecured, unsubordinated debt securities. Holders of ETNs are subject to the risks of the underlying firm that issues the securities. They are designed to provide investors with a new way to access the returns of market benchmarks or strategies. ETNs are not equities or index funds, but they do share several characteristics. For example, like equities, they trade on an exchange and can be shorted. Like an index fund, they are linked to the return of a benchmark index or strategy.

LCM may also include foreign investments in portfolios it manages or in its recommendations. Investment in the securities of non-U.S. issuers involves risks beyond those associated with investments in U.S. securities, including, but not limited to: greater market volatility, the availability of less reliable financial information, higher transaction and custody costs, taxation by foreign governments, decreased market liquidity, political

instability, and negative impact of changes in currency exchange rates. LCM may include in portfolios it manages or in recommendations it makes, exchange traded investments which are industry, sector, or capitalization specific and thereby may be subject to the volatility attendant with such a specialized focus. LCM may include in portfolios it manages or in recommendations it makes, exchange traded investments that attempt to track alternative investments such as commodities, currencies, real estate securities, and listed private equity. These investments may be very volatile and have the potential of steep declines and may increase risks. Regulation of the United States markets has undergone substantial change in recent years, a process that is expected to continue. In addition, it is impossible to predict what, if any, significant new regulations may be promulgated as a result of regulatory action. The effect of regulatory change on the proposed trading activities is impossible to predict, but could be substantial and adverse. In addition to future regulatory changes, the markets have undergone and are expected to continue to undergo rapid and substantial changes. There can be no assurance as to how the investment will perform given the changes to, and increased competition in, the marketplace.

The portfolios that LCM manages are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government or private non-government agency. All investments have tax and legal implications. LCM cannot advise on these implications. Each potential and current client should obtain the assistance of tax and legal professionals in evaluating the implications of this investment.

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

Our firm has no reportable disciplinary events to disclose.

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

Larry Lunt, Shareholder of LCM, is also separately licensed as a real estate broker in the State of Utah and is an owner and manager of a residential management company. However, Mr. Lunt will not solicit any LCM advisory clients for receipt of real estate services.

Zachary Napierski, Chief Compliance Officer of LCM, is also separately licensed as an attorney in the State of Utah. However, Mr. Napierski is not actively involved in the practice of law and will not solicit any LCM advisory clients for receipt of legal services.

Lunt Capital Management retains the services of Robert P. Lunt, an attorney who is of counsel to the Salt Lake City, Utah legal firm of Van Cott, Bagley, Cornwall & McCarthy to assist Lunt Capital Management's Chief Compliance Officer in monitoring the compliance of Lunt Capital Management with United States Securities and Exchange Commission rules, policies and procedures. Any client of Lunt Capital Management who becomes aware that they are involved with (or have any interest in) any matter where either Robert P. Lunt or Van Cott, Bagley, Cornwall & McCarthy may be providing legal services or advice to any party involved in or related to the same matter, should

immediately notify Lunt Capital Management, Robert P. Lunt and/or Van Cott, Bagley, Cornwall & McCarthy of the situation so that the possibility of any inappropriate conflict of interest or question of divided loyalty can be avoided. This information is provided solely for the purpose of alerting clients of Lunt Capital Management to circumstances where a question of conflict of interest or divided loyalty could potentially occur. Such information is not intended for, nor should it be understood as, a recommendation or endorsement of the parties named for any purpose.

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

### Code of Ethics Disclosure

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code provides for oversight, enforcement and recordkeeping provisions. A copy of our Code of Ethics is available to our advisory clients and prospective clients upon request to Zachary Napierski, Chief Compliance Officer, at the firm's principal office address.

Our firm or individuals associated with our firm may buy or sell securities identical to those recommended to or purchased for customers for their personal accounts. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client. This practice results in a potential conflict of interest, as there may be an incentive to manipulate the timing of such purchases to obtain a better price or more favorable allocation in rare cases of limited availability.

We may aggregate our employee trades with client trades. In case there is a partial fill of a particular batch order, we will allocate all the purchases pro-rata, with each account paying average price.

To mitigate these potential conflicts of interest and ensure the fulfillment of our fiduciary responsibilities, we have established the following restrictions:

1. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No principal or employee of our firm may prefer his or her own interest to that of the advisory client.
2. It is the expressed policy of our firm that in non-aggregated transactions, LCM and employee accounts trade last (following all clients) thereby, preventing LCM

and such employees from benefiting from transactions placed on behalf of advisory accounts. In aggregated transactions, LCM and employee transactions are aggregated with client transactions at the same custodian, thereby preventing LCM and such employees from benefiting from transactions placed on behalf of advisory accounts at that custodian. However, due to differing prices among custodians, the custodian at which LCM and employees have accounts, may trade prior to other custodians with client accounts.

3. We emphasize the unrestricted right of the client to decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
4. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
5. Any individual not in observance of the above may be subject to disciplinary action or termination.

## **Item 12. Brokerage Practices**

We do not have any formal or informal soft-dollar arrangements and do not receive any soft-dollar benefits.

We do not request or accept the discretionary authority to determine the broker dealer to be used for client accounts. Clients must direct us as to the broker dealer to be used for all client securities transactions. In directing the use of a particular broker or dealer, it should be understood that we will not have authority to negotiate commissions among various brokers, and best execution may not be achieved, resulting in higher transaction costs for clients. *Not all advisers require their clients to direct brokerage.*

We may in some cases recommend that clients use a particular broker. In doing so, we will look at execution prices, commission rates, reputation, access to markets, efficiency, quality of platform, reporting capabilities, and customer service. However, the client must ultimately direct us as to the broker dealer to be used.

Wrap fee programs: In evaluating “wrap fee” investment programs, a client should recognize that transactions are usually effected “net”, that is, without transaction fees. A portion of the wrap fee is generally considered as being in lieu of transaction fees. Trades are generally expected to be executed only with the broker-dealer selected for the wrap fee arrangement by the program sponsor, so that the investment managers in the program may not be free to seek best price and execution by placing transactions with other broker-dealers. No assurance can be given that the broker-dealers will be able to obtain best execution with respect to transactions effected for such programs.

Accordingly, clients may wish to satisfy themselves that the broker-dealer selected for the “wrap fee” arrangement can provide adequate price and execution of most or all

transactions. The client should also consider that, depending upon the level of the “wrap fee” charged by the broker-dealer, the amount of portfolio activity in the client's account, the value of custodial and other services which are provided under the arrangement, and other factors, the “wrap fee” may or may not exceed the aggregate cost of such services if they were to be provided separately.

Institutional advisor program: LCM participates in the institutional advisor program (the “Program”) offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA (“TD Ameritrade”), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. LCM may receive some benefits from TD Ameritrade through its participation in the Program. (Please see the disclosure under Item 14. below.)

Trade aggregation: We may aggregate client trades within custodial platforms, and at times, where possible, among different custodial platforms, when doing so is advantageous to our clients. Mostly, we will aggregate client transactions when we see an opportunity to obtain better and more uniform pricing across client accounts. If we determine that aggregation of trades in a certain situation will be beneficial to our clients, transactions will be averaged as to price and will be allocated among our clients in proportion to the purchase and sale orders placed from each client account on any given day. In instances where LCM does not aggregate transactions among different custodial platforms, transactions may have different pricing due to different pricing among custodians. However, LCM believes that in many cases the aggregation of such orders does not affect execution prices or investment opportunities. Pricing at the time of execution of the investment recommendations within the model portfolios may be different from the pricing at the time the recommendations were made.

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

#### REVIEWS:

#### Portfolio Management/Model Portfolio Management Services/Sub-Advisory Services/Wrap Fee Services

John Lunt, President, and Ryan Hessenthaler, COO, and any Investment Adviser Representatives supervised by Mr. Lunt and Mr. Hessenthaler continuously monitor the underlying securities in client accounts and perform at least quarterly reviews of account holdings for clients. More frequent reviews may be triggered when changes in an account holder’s personal, tax or financial status are communicated to LCM (usually by the client). Significant political, geopolitical, microeconomic and macroeconomic events may also trigger reviews.

For Model Portfolio Management and sub-advised clients, the above-listed individuals will review accounts in the context of the investment strategy.



### Model Portfolio Services Clients

Our firm does not manage these client accounts and will, therefore, not conduct any reviews.

### REPORTS:

### Portfolio Management/Model Portfolio Management Services/Sub-Advisory Services

Clients will receive monthly/quarterly statements and confirmations of transactions from their custodian. Additionally, for some accounts, our firm will provide quarterly holdings and/or performance reports to clients.

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

Our firm may act as a solicitor for a registered investment adviser and, for doing so, may receive an initial and/or an ongoing solicitation fee for referring clients to the adviser. This solicitation arrangement creates a conflict of interest to the extent that we have an incentive to refer clients to the third-party investment adviser. We address this conflict of interest in the following ways:

1. We clearly disclose the existence of solicitation arrangements to existing and prospective clients in our disclosure documents so that the client can assess the inherent conflicts of interest and make a fully informed investment decision;
2. We provide the following written disclosures to prospective clients prior to the execution of an advisory agreement with the third-party investment adviser:
  - a. The name of the third-party investment adviser;
  - b. The nature of the relationship, including any affiliation, between us and the investment adviser;
  - c. A statement that we will be compensated for our solicitation services by the investment adviser; and
  - d. The terms of such compensation arrangement, including a description of the compensation paid or to be paid to us.
3. We continuously monitor the performance of third-party advisers we recommend to ensure that client investment objectives are being met; and
4. We observe all rules promulgated under Section 206(4)-3 of the Investment Advisers Act of 1940 and/or similar applicable state laws and regulations.

### TD Ameritrade

As disclosed under Item 12. above, LCM participates in TD Ameritrade's institutional customer program and LCM may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between LCM's participation in the program and the investment advice it gives to its Clients, although LCM may receive economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits may include the following products and

services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving LCM participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to LCM by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by LCM's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit LCM but may not benefit its Client accounts. These products or services may assist LCM in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help LCM manage and further develop its business enterprise. The benefits received by LCM or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, LCM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by LCM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence LCM's recommendation of TD Ameritrade for custody and brokerage services.

LCM may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, LCM may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with LCM and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise LCM and has no responsibility for LCM's management of client portfolios or LCM's other advice or services. LCM pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to LCM ("Solicitation Fee"). LCM will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by LCM from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired LCM on the recommendation of such referred client. LCM will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

LCM's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, LCM may have an incentive to recommend to clients that the assets under management by LCM be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, LCM has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. LCM's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

#### Other Solicitors

LCM may compensate other solicitors who refer clients to LCM. This compensation shall be paid from the referred client's advisory fee, and shall usually be a percentage of the advisory fee paid to LCM by the referred client. Referred clients shall not be charged an advisory fee higher than the fee schedule discussed in this Form ADV, but referred clients may pay a higher advisory fee than some clients not referred by a solicitor.

#### **Item 15. Custody**

Custody is defined as any legal or actual ability by our firm to access client funds or securities. Since all client funds and securities are maintained with a qualified custodian, we don't take physical possession of client assets. However, under the current SEC rules, our firm is deemed to have constructive custody of client assets because we may directly debit client fees from their custodial accounts. Therefore, we urge all of our management clients to carefully review and compare any quarterly reviews/statements of account holdings and/or performance results received from us, if applicable, to those they receive from their custodian. Should you notice any discrepancies, please notify us and/or your custodian as soon as possible.

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

For clients granting us discretionary authority to determine which securities and the amounts of securities that are to be bought or sold for their account(s), we request that such authority be granted in writing, typically in the executed investment management agreement or custodian account paperwork.

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

Advisory clients may elect to delegate their proxy voting authority to us. Alternatively, clients may, at their election, choose to receive proxies related to their own accounts, in which case we may consult with clients as requested.

We have retained the services of a proxy voting service and have reviewed and adopted their proxy voting guidelines. Therefore the proxy voting service will vote those proxies in the best interests of our clients and in accordance with their established policies and procedures. However, we will not accept specific client directions on how to vote a particular proxy. On our behalf, the proxy voting service will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies. Our firm will maintain a copy of each written client request for information on how the proxies were voted.

Clients may request in writing to obtain a copy of the proxy voting service's complete proxy voting policies and procedures and how the proxy voting service voted proxies for his/her account(s) by contacting our office directly at the number on the first page of this document.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

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

Under no circumstances will we earn fees in excess of \$1,200 more than six months in advance of services rendered.

**Part 2B of Form ADV: *Brochure Supplement***

John Larry Lunt  
215 South State Street  
Suite 100  
Salt Lake City, UT 84111

Telephone: (801) 503-3035

Lunt Capital Management, Inc.  
215 South State Street  
Suite 100  
Salt Lake City, UT 84111

Telephone: (801) 503-3035

3/25/2014

**This brochure supplement provides information about John Lunt that supplements the Lunt Capital Management, Inc. brochure. You should have received a copy of that brochure. Please contact Zachary Napierski, Chief Compliance Officer, if you did not receive our brochure or if you have any questions about the contents of this supplement.**

**Item 2. Educational Background and Business Experience**

John Larry Lunt, President

Year of Birth: 1972

Education:

Mr. Lunt graduated with a B.A. from Brigham Young University and with an MBA from the New York University Stern School of Business.

Business Background:

President and Founder, Lunt Capital Management, Inc. from 2003 to present

**Item 3. Disciplinary Information**

Mr. Lunt does not have any history of reportable disciplinary events.

**Item 4. Other Business Activities**

Mr. Lunt is not engaged in any other business or occupation.

**Item 5. Additional Compensation**

Mr. Lunt does not receive any additional compensation from third parties for providing investment advice to its clients and does not compensate anyone for client referrals.

**Item 6. Supervision**

John Lunt and Ryan Hessenthaler are responsible for all employee supervision, general business strategy of the firm, and formulating investment advice. Mr. Lunt and Mr. Hessenthaler and Investment Adviser Representatives supervised by Mr. Lunt and Mr. Hessenthaler are responsible for applying and monitoring investment advice offered to clients. Zachary Napierski, Chief Compliance Officer, is responsible for monitoring and enforcing compliance with our policies and procedures, Code of Ethics, employee rules of conduct, and all relevant federal and state laws and regulations. All of these individuals can be reached at (801) 503-3035.

**Part 2B of Form ADV: *Brochure Supplement***

Ryan George Hessenthaler  
215 South State Street  
Suite 100  
Salt Lake City, UT 84111

Telephone: (801) 503-3035

Lunt Capital Management, Inc.  
215 South State Street  
Suite 100  
Salt Lake City, UT 84111

Telephone: (801) 503-3035

3/25/2014

**This brochure supplement provides information about Ryan George Hessenthaler that supplements the Lunt Capital Management, Inc. brochure. You should have received a copy of that brochure. Please contact Zachary Napierski, Chief Compliance Officer, if you did not receive our brochure or if you have any questions about the contents of this supplement.**

**Item 2. Educational Background and Business Experience**

Ryan Hessenthaler, COO

Year of Birth: 1972

Education:

Mr. Hessenthaler graduated from the University of Utah with a B.S. in Political Science in 1998 and from Westminster with an M.B.A. in 2005.

Business Background:

COO, Lunt Capital Management, Inc. from 09/2011 to present

V.P., Finance, Children's Miracle Network Hospitals from 3/2008 to 9/2011

Director, Center for Financial Analysis, Westminster College from 8/2002 to 6/2008

**Item 3. Disciplinary Information**

Mr. Hessenthaler does not have any history of reportable disciplinary events.

**Item 4. Other Business Activities**

Mr. Hessenthaler is not engaged in any other business or occupation.

**Item 5. Additional Compensation**

Mr. Hessenthaler does not receive any additional compensation from third parties for providing investment advice to its clients and does not compensate anyone for client referrals.

**Item 6. Supervision**

John Lunt and Ryan Hessenthaler are responsible for all employee supervision, general business strategy of the firm, and formulating investment advice. Mr. Lunt and Mr. Hessenthaler and Investment Adviser Representatives supervised by Mr. Lunt and Mr. Hessenthaler are responsible for applying and monitoring investment advice offered to clients. Zachary Napierski, Chief Compliance Officer, is responsible for monitoring and enforcing compliance with our policies and procedures, Code of Ethics, employee rules of conduct, and all relevant federal and state laws and regulations. All of these individuals can be reached at (801) 503-3035.