

**FORM ADV****Uniform Application for Investment Adviser Registration****Part II - Page 1****OMB APPROVAL**

OMB Number: 3235-0049  
Expires: February 28, 2011  
Estimated Average burden  
Hours per response.....4.07

Name of Investment Adviser: LotusGroup Advisors, LLC.						
Address:	(Number and Street)	(City)	(State)	(Zip Code)	Area Code:	Telephone Number:
	1043 S. Vine Street	Denver	CO	80209		303-777-7424

**This part of FORM ADV gives information about the investment adviser and its business for the use of clients.  
The information has not been approved or verified by any government authority.**

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(Schedule A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

Potential persons who are to respond to the collection of information contained in this form  
are not required to respond unless the form displays a currently valid OMB control number.

Applicant: LotusGroup Advisors, LLC.

SEC File Number:

801- 143379

Date:

01/01/2009

**1. A. Advisory Services and Fees.** (check the applicable boxes)

For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)

**Applicant:**

- |                                     |     |  |     |   |
|-------------------------------------|-----|--|-----|---|
| <input checked="" type="checkbox"/> | (1) | Provides investment supervisory services .....   | 100 | % |
| <input type="checkbox"/>            | (2) | Manages investment advisory accounts not involving investment supervisory services.....  |     | % |
| <input type="checkbox"/>            | (3) | Furnishes investment advice through consultations not included in either service described above...  |     | % |
| <input type="checkbox"/>            | (4) | Issues periodicals about securities by subscription .....  |     | % |
| <input type="checkbox"/>            | (5) | Issues special reports about securities not included in any service described above.....   |     | % |
| <input type="checkbox"/>            | (6) | Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities..... |     | % |
| <input type="checkbox"/>            | (7) | On more than an occasional basis, furnishes advice to clients on matters not involving securities...   |     | % |
| <input type="checkbox"/>            | (8) | Provides a timing service .....  |     | % |
| <input type="checkbox"/>            | (9) | Furnishes advice about securities in any manner not described above.....   |     | % |

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B. Does applicant call any of the services it checked above financial planning or some similar term? . . . . . 

Yes	No
<input type="checkbox"/>	<input checked="" type="checkbox"/>

C. Applicant offers investment advisory services for: (check all that apply)

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> (1) A percentage of assets under management | <input type="checkbox"/> (4) Subscription fees |
| <input type="checkbox"/> (2) Hourly charges                                     | <input type="checkbox"/> (5) Commissions       |
| <input type="checkbox"/> (3) Fixed fees (not including subscription fees)       | <input type="checkbox"/> (6) Other             |

D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

**2. Types of clients** - Applicant generally provides investment advice to: (check those that apply)

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> A. Individuals           | <input checked="" type="checkbox"/> E. Trusts, estates, or charitable organizations                    |
| <input type="checkbox"/> B. Banks or thrift institutions     | <input checked="" type="checkbox"/> F. Corporations or business entities other than those listed above |
| <input type="checkbox"/> C. Investment companies             | <input type="checkbox"/> G. Other (describe on Schedule F)   |
| <input type="checkbox"/> D. Pension and profit sharing plans |  |

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1)

**3. Types of Investments.** Applicant offers advice on the following: (check those that apply)

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> A. Equity securities                                       | <input checked="" type="checkbox"/> H. United States government securities     |
| <input checked="" type="checkbox"/> (1) exchange-listed securities                             | <input checked="" type="checkbox"/> I. Options contracts on:                   |
| <input checked="" type="checkbox"/> (2) securities traded over-the-counter                     | <input type="checkbox"/> (1) securities  |
| <input checked="" type="checkbox"/> (3) Foreign issuers  | <input type="checkbox"/> (2) commodities                                       |
| <input type="checkbox"/> B. Warrants   | <input type="checkbox"/> J. Futures contracts on:                              |
| <input checked="" type="checkbox"/> C. Corporate debt securities (other than commercial paper) | <input type="checkbox"/> (1) tangibles   |
| <input type="checkbox"/> D. Commercial paper   | <input type="checkbox"/> (2) intangibles                                       |
| <input checked="" type="checkbox"/> E. Certificates of deposit                                 | <input checked="" type="checkbox"/> K. Interests in partnerships investing in: |
| <input checked="" type="checkbox"/> F. Municipal securities                                    | <input type="checkbox"/> (1) real estate                                       |
| <input type="checkbox"/> G. Investment company securities:                                     | <input type="checkbox"/> (2) oil and gas interests                             |
| <input type="checkbox"/> (1) variable life insurance   | <input type="checkbox"/> (3) other (explain on Schedule F)                     |
| <input type="checkbox"/> (2) variable annuities  | <input type="checkbox"/> L. Other (explain on Schedule F)                      |
| <input checked="" type="checkbox"/> (3) mutual fund shares                                     |  |

**4. Methods of Analysis, Sources of Information, and Investment Strategies.**

A. Applicant's security analysis methods include: (check those that apply)

- |   |  |
|---|--|
| (1) <input checked="" type="checkbox"/> Charting    | (4) <input checked="" type="checkbox"/> Cyclical           |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input type="checkbox"/> Other (explain on Schedule F) |
| (3) <input checked="" type="checkbox"/> Technical   |  |

B. The main sources of information applicant uses include: (check those that apply)

- |   |  |
|---|--|
| (1) <input checked="" type="checkbox"/> Financial newspapers and magazines    | (5) <input type="checkbox"/> Timing services   |
| (2) <input type="checkbox"/> Inspections of corporate activities              | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the |
| (3) <input checked="" type="checkbox"/> Research materials prepared by others | Securities and Exchange Commission   |
| (4) <input checked="" type="checkbox"/> Corporate rating services             | (7) <input type="checkbox"/> Company press releases                                    |
|   | (8) <input type="checkbox"/> Other (explain on Schedule F)                             |

C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- |  |  |
|--|--|
| (1) <input checked="" type="checkbox"/> Long term purchases<br>(securities held at least a year) | (5) <input type="checkbox"/> Margin transactions   |
| (2) <input checked="" type="checkbox"/> Short term purchases<br>(securities sold within a year)  | (6) <input type="checkbox"/> Option writing, including covered options,<br>uncovered options or spreading strategies |
| (3) <input checked="" type="checkbox"/> Trading (securities sold within 30 days)                 | (7) <input type="checkbox"/> Other (explain on Schedule F)   |
| (4) <input type="checkbox"/> Short sales   |  |

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Applicant: LotusGroup Advisors, LLC.

SEC File Number:  
801- 143379

Date:  
01/01/2009

**5. Education and Business Standards.**

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? ..... ☒ Yes ☐ No

(If yes, please describe these standards on Schedule F)

**6. Education and Business Background.**

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name
- year of birth
- formal education after high school
- business background for the preceding five years

**7. Other Business Activities.** (check those that apply)

- ☐ A. Applicant is actively engaged in a business other than giving investment advice.
- ☐ B. Applicant sells products or services other than investment advice to clients.
- ☐ C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

**8. Other Financial Industry Activities or Affiliations.** (check those that apply)

- ☐ A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- ☐ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- ☐ C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
- |  |  |
|--|--|
| <input type="checkbox"/> (1) broker-dealer   | <input type="checkbox"/> (7) accounting firm                                       |
| <input type="checkbox"/> (2) investment company  | <input type="checkbox"/> (8) law firm  |
| <input checked="" type="checkbox"/> (3) other investment adviser   | <input type="checkbox"/> (9) insurance company or agency                           |
| <input type="checkbox"/> (4) financial planning firm   | <input type="checkbox"/> (10) pension consultant                                   |
| <input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant | <input type="checkbox"/> (11) real estate broker or dealer                         |
| <input type="checkbox"/> (6) banking or thrift institution   | <input type="checkbox"/> (12) entity that creates or packages limited partnerships |

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

- D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest?.. ☐ Yes ☐ No

(If yes, describe on Schedule F the partnerships and what they invest in.)

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1)**

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01/01/2009

**9. Participation or Interest in Client Transactions.**

Applicant or a related person: (check those that apply)

- ☐ A. As principal, buys securities for itself from or sells securities it owns to any client.
- ☐ B. As broker or agent effects securities transactions for compensation for any client.
- ☐ C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- ☐ D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- ☒ E. Buys or sell for itself securities it also recommended to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or prospective client upon request.

- 10. Conditions for Managing Accounts.** Does the applicant provide investment advisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other condition for starting or maintaining an account?

Yes No  
☒ ☐

(If yes, describe on Schedule F)

- 11. Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory account, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

--

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

--

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**12. Investment or Brokerage Discretion.**

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

- |  |                                     |                          |
|--|-------------------------------------|--------------------------|
|  | Yes                                 | No                       |
| (1) securities to be bought or sold? .....           | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (2) amount of securities to be bought or sold? ..... | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (3) broker or dealer to be used? .....               | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (4) commission rates paid? .....                     | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

B. Does applicant or a related person suggest brokers to clients? ..... ☒ Yes ☐ No

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for product and research services received.

**13. Additional Compensation.**

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- |   |                                     |                          |
|---|-------------------------------------|--------------------------|
| A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? ..... | Yes                                 | No                       |
|   | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| B. directly or indirectly compensates any person for client referrals? .....  | Yes                                 | No                       |
|   | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

(For each yes, describe the arrangements on Schedule F.)

**14. Balance Sheet.** Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities (unless applicant is registered or registering only with the Securities and Exchange Commission); or
- requires prepayment of more than \$500 in fees per client and 6 or more months in advance

Has applicant provided a Schedule G balance sheet?..... ☐ Yes ☒ No

Schedule F Attachment:

Item of Form (identify)	Answer
1	<p>LotusGroup Advisors, LLC. (“LotusGroup”) provides investment advisory &amp; portfolio management services for private clients through a Full Trading Authorization and / or a Limited Power of Attorney (LotusGroup does not have custody of client funds). All funds are held in client’s own account and client authorizes invoices to be paid from their account.</p> <p>Clients undergo an introductory interview to outline their financial situation and to help LotusGroup set risk tolerance and investment objectives. Clients are categorized into one of six categories: aggressive, moderate-aggressive, moderate, conservative-moderate, conservative and ultra-conservative. LotusGroup then provides strategic asset allocation, rebalancing, technical protection, and sector re-weighting services on an ongoing basis within client portfolios, selecting assets based on both the client’s risk categorization and market conditions. Under this model, the typical investments include ETFs, closed-end funds, and open-ended funds across a broad base of different asset classes: US stocks, US bonds, Foreign stock, Foreign bonds, Emerging Markets, Raw Materials, Energy, Precious Metals, REITs, etc. Both fundamental and technical analyses are used to select individual positions, while volatility-determined trailing stops are used to help determine the exit price. Money management principles are applied to limit the exposure of a client’s portfolio to the effects of any single investment.</p> <p>LotusGroup meets with clients periodically to review their financial situation, answer questions, and determine if any adjustments need to be made relative to their financial objectives, risk tolerance, and time horizon.</p> <p>LotusGroup provides the above services on an outsourced basis, performing daily management activities without client consultation. Specifically, LotusGroup provides:</p> <ol style="list-style-type: none"> <li>1. Account setup assistance with a selected Broker / Custodian.</li> <li>2. Development of a personalized savings &amp; investment program.</li> <li>3. Discretionary selection of specific investments within the program.</li> <li>4. Periodic adjustment of the asset allocation model per client category.</li> <li>5. Administration of portfolio rebalancing as needed.</li> <li>6. Asset reductions during major market swings above or below technical support levels (only for clients with managed assets &gt; \$150K).</li> <li>7. Production and distribution of individual quarterly performance reports.</li> <li>8. Production and distribution of periodic client newsletters.</li> </ol>

Item of Form (identify)	Answer												
	<p>Fee Schedule is as follows (non-negotiable):</p> <table> <tr> <th><u>Assets Under Mgmt</u></th><th><u>Incremental % Fee Charged Per Annum</u></th></tr> <tr> <td>On the first \$250 K*</td><td>2.50%</td></tr> <tr> <td>The next \$250 K</td><td>2.00%</td></tr> <tr> <td>The next \$250 K</td><td>1.50%</td></tr> <tr> <td>The next \$250 K</td><td>1.00%</td></tr> <tr> <td>In excess of \$1.0 MM</td><td>0.75%</td></tr> </table> <p>* Clients may be able to find competing advisory services at lower fees.</p> <p>Fees are billed in advance at the beginning of each calendar quarter based on current assets under management prior to the open on the first day of the quarter and deducted mid-quarter on the 45<sup>th</sup> day of the quarter. For the first quarter, the billing statement is prorated based on the client start date. Client start date is the date the contract is signed by both parties. However, management fees are not charged until the first day when funds arrive in the client's account(s). Upon account closure (at will by either party), prorated fees will be returned to client based on the day funds are withdrawn from Advisor's supervision.</p> <p>Advisory Fees are automatically deducted by LotusGroup from the Client's account. Client authorizes the payment of invoice. In all cases, the Client receives an invoice from LotusGroup prior to the withdrawal. Invoices are sent to clients at the beginning of each quarter. The Custodian also sends monthly account statements to the Client with the management fee transaction displayed in the month it is withdrawn. Midway through the quarter, LotusGroup sends the invoices to the custodian for withdrawal of fees.</p>	<u>Assets Under Mgmt</u>	<u>Incremental % Fee Charged Per Annum</u>	On the first \$250 K*	2.50%	The next \$250 K	2.00%	The next \$250 K	1.50%	The next \$250 K	1.00%	In excess of \$1.0 MM	0.75%
<u>Assets Under Mgmt</u>	<u>Incremental % Fee Charged Per Annum</u>												
On the first \$250 K*	2.50%												
The next \$250 K	2.00%												
The next \$250 K	1.50%												
The next \$250 K	1.00%												
In excess of \$1.0 MM	0.75%												
5	<p>In addition to being appropriately registered as an Investment Advisor in the appropriate jurisdictions, LotusGroup places a high value on the following areas:</p> <ul style="list-style-type: none"> <li>• Client Service &amp; Human Psychology</li> <li>• Market Knowledge (experience investing in bull and bear markets)</li> <li>• Macro/Micro Economic Knowledge (domestically and internationally)</li> <li>• Business Experience and Competitive Market Theory</li> <li>• Financial Analysis and Understanding of Corporate Filings</li> <li>• Statistical Modeling and Systems Development</li> <li>• Real-World Experiences</li> </ul>												
6	<p>LotusGroup Advisors and Andy Seth are licensed as Life Insurance Producers. As part of the Contingency Planning process, LGA conducts an Insurance Needs Analysis to provide clients with a recommended level of coverage both in terms of value and length of term for life insurance. LGA will also procure life insurance on behalf of the client to find high quality life insurance at low costs. LGA will walk the client through the application process to have a policy underwritten and then delivers the policy to the client.</p>												



Item of Form (identify)	Answer
7	<p>Investment Advisor Education / Business Background</p> <p><u>Name:</u> Raphael Martorello (Investment Advisor Representative)</p> <p><u>D.O.B:</u> March 8, 1974</p> <p><u>Degree:</u> B.S. Mechanical Engineering / Minor in Economics University of Virginia, 1997</p> <p><u>Business:</u> Partner / Advisor, Martorello Money Management: 2004 – Present Partner / Advisor, LotusGroup Advisors: Present</p> <ul style="list-style-type: none"> <li>• 6 years of commercial investment experience</li> <li>• 7 years of prior personal experience and system development</li> <li>• Registered as an Investment Advisor Representative</li> </ul> <p>Director, ICG Commerce: 2000 – 2005</p> <ul style="list-style-type: none"> <li>• Practice responsibility for all West Coast clients</li> <li>• Management oversight for 20 employees</li> <li>• Business Process Outsourcing</li> </ul> <p>Associate, A.T. Kearney: 1997 – 2000</p> <ul style="list-style-type: none"> <li>• Management / Business Consultant</li> </ul>
7	<p><u>Name:</u> Andleib “Andy” Seth (Investment Advisor Representative)</p> <p><u>D.O.B:</u> May 10, 1978</p> <p><u>Degree:</u> B.A. Economics and B.A. Spanish Boston College, 2000</p> <p><u>Business:</u> Partner / Advisor, LotusGroup Advisors: 2007 – Present</p> <ul style="list-style-type: none"> <li>• Founded in January, 2007</li> <li>• 9 years of Client Services experience</li> <li>• 5 years of Operations experience</li> <li>• Registered as an Investment Advisor Representative</li> <li>• Licensed as a Life Insurance Producer (CO #213445)</li> </ul> <p>Manager, ICG Commerce: 2001 – 2008</p> <ul style="list-style-type: none"> <li>• Client responsibility for US and foreign clients</li> <li>• Management oversight for 20 employees</li> <li>• Business Process Outsourcing</li> </ul> <p>Consultant, Accenture: 2000 – 2001</p>

Item of Form (identify)	Answer
	<ul style="list-style-type: none"> <li>• Management / Business Consultant</li> </ul>
7	<p><u>Name:</u> Gregory R. Schowe (Investment Advisor Representative)</p> <p><u>D.O.B:</u> February 9<sup>th</sup>, 1978</p> <p><u>Degree:</u> B.A. Business Administration University of Oregon, 2000</p> <p><u>Business:</u> Advisor, LotusGroup Advisors: 2007 – Present</p> <ul style="list-style-type: none"> <li>• 8 years of Client Services experience</li> <li>• 7 years of custom solution design experience</li> <li>• Registered as an Investment Advisor Representative</li> </ul> <p>Owner / Senior Analyst, Schowe &amp; Associates, 2006 - 2009</p> <ul style="list-style-type: none"> <li>• Lead team in worldwide business system implementation</li> <li>• Explore extensive business and system requirements</li> <li>• Develop comprehensive custom solution for Clients</li> </ul> <p>Senior Analyst, Strategic Vision Consulting: 2004 – 2006</p> <ul style="list-style-type: none"> <li>• Custom business system design and implementation</li> </ul> <p>Analyst, Plutus Enterprises: 2000 - 2004</p> <ul style="list-style-type: none"> <li>• System design and testing</li> </ul>
7	<p><u>Name:</u> Rachel Moody (Investment Advisor Representative)</p> <p><u>D.O.B:</u> August 7, 1978</p> <p><u>Degree:</u> B.S. Commerce University of Virginia, 2000</p> <p><u>Business:</u> Advisor, LotusGroup Advisors: Present</p> <ul style="list-style-type: none"> <li>• Joined in July, 2008</li> <li>• 9 years of financial services experience</li> <li>• Registered as an Investment Advisor Representative</li> </ul> <p>Marketing Director, Barclaycard US: 2005 – Present</p> <ul style="list-style-type: none"> <li>• Created and marketed credit card products to customers based on individual needs</li> <li>• Lead strategy for team of 20 marketing support staff</li> </ul> <p>Marketing Manager, Providian Financial 2000 – 2005</p> <ul style="list-style-type: none"> <li>• Lead testing and implementation of marketing initiatives for financial service customers</li> </ul>

Item of Form (identify)	Answer
8	<p>Raphael Martorello is an owner and advisor representative in the company Martorello Money Management, Inc. (LGA). LGA was founded in 2007 with similar goals to LGA and the same investment approach. Raphael Martorello is in charge of investment strategy and manages client services and order execution. Services offered are similar to LGA and the fee schedule is identical. Conflicts of interest have been mitigated by using the identical investment strategy, making decisions outside of market hours, and executing orders independently between the two firms.</p>
9	<p>The Partners / Investment Advisor Representatives of LotusGroup (“IARs”), Raphael Martorello and Andy Seth, actively make investments / trades in securities for their personal portfolios which may be similar to those made on behalf of LotusGroup clients. Mr. Martorello and Mr. Seth believe in their investment methodology, and employ those same strategies in their own investments.</p> <p>LotusGroup maintains an asset list of potential options by asset class. The options are constantly evaluated, and then used as new money from existing or new clients is deployed. This asset list is not shared publicly or distributed to clients. The specific positions are determined through a combination of independent analysis and purchased research. LotusGroup does not collect any commissions, informal benefits, or other such incentives to influence the selection of any particular security.</p> <p>On the sell side, a value stop or trailing stop for each position is employed based on average volatility and technical charting. These stops are tracked daily for each client and for each individual investment assets to ensure that risks are minimized relative to potential gains. Sales are made when the closing price for the position is above the value stop or below the trailing stop at the close of market on a given day. Certain other system rules apply as well, such as, tightening or loosening a trailing stop, and increasing or decreasing a position size. All rules are followed for client portfolios as well as for the personal portfolios of LotusGroup’s IARs. Additionally, trades are made in block transactions through the selected Broker/Custodian to ensure conflicts of interest are mitigated between the IAR’s and their clients.</p> <p>Occasionally, Mr. Martorello takes positions in more risky investments such as individual micro-cap stocks, options, and private investments (e.g. real estate projects, oil exploration interests, etc.). Additionally, Mr. Martorello periodically tests new trading strategies in his personal accounts. These research activities are inappropriate for LotusGroup’s clients and are limited to Mr. Martorello’s personal account. As new strategies are validated, they may be shared with customers to evaluate their appropriateness and the client’s willingness to incorporate them into their personal investment objectives.</p>

Item of Form (identify)	Answer
	<p>Client trades and interests are always placed ahead of those of LotusGroup IARs. Additionally, a preferred Broker / Custodian is chosen with each client and this party has the responsibility for effective execution of trades placed.</p>
10	<p>LotusGroup's minimum asset requirement for new clients is \$150,000. There are no ongoing contribution requirements although this practice is highly recommended for ongoing savings, asset allocation, and tax efficiency purposes. At its discretion, LotusGroup will make an exception to the above requirements.</p> <p>Please see response to Item #1 above for description of services available by asset class:</p> <ul style="list-style-type: none"> <li>• &lt; \$125K at Custodian: Asset Allocation, Rebalancing</li> <li>• &gt; \$125K at Custodian: Above Services + Technical VS/TS Protection</li> </ul>
12	<p>LGA is only required to maintain or solicit the consent of customers for trades made on positions that were specifically discussed during the introductory interview (e.g. inherited stock that the client would like to hold onto for sentimental reasons, etc.).</p> <p>LGA clients sign a full trading authorization agreement through the broker / dealer. LGA clients sign a limited power of attorney for 401K, 403B, 457, and 529 accounts. LGA has the discretion to select, buy, sell, and determine the quantities of the individual positions for each client account. If a client objects to any particular investment decision, he / she may discuss this with LGA and a mutually agreed upon decision will be made and documented if necessary. It is always preferred that the client and LGA engage in a discussion to resolve any potential differences in opinion. However, if client repeatedly acts in a manner inconsistent with the mutually agreed upon investment objectives, LGA reserves the right to cancel the customer agreement after providing written counsel to the customer. Similarly, the customer reserves the right to cancel their contract with LGA at any time if they so desire.</p> <p>LGA suggests that clients use the LGA-preferred Broker-Dealer for maintaining funds under management with LGA. Both retirement and non-retirement accounts are setup and maintained for customers with the Broker-Dealer. LGA strives to maintain a consistent trading, reporting, and investment operation that is facilitated through the usage of a single Broker-Dealer.</p> <p>The preferred Broker-Dealer was selected using the following criteria:</p> <ul style="list-style-type: none"> <li>• Trading commissions costs</li> <li>• Customer service levels</li> <li>• Reporting tools, including cost basis and 1099 reports to help facilitate tax management strategies</li> <li>• Personal money management tools <ul style="list-style-type: none"> <li>- Electronic fund transfer capabilities</li> </ul> </li> </ul>

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	<ul style="list-style-type: none"> <li>- Dividend reinvestment programs</li> <li>- Electronic communication delivery capabilities</li> <li>• Financial security / stability to insure individual accounts, including primary and back-up account insurance</li> </ul> <p>Generally, in addition to a broker's ability to provide "best execution," we may also consider the value of "research" or additional brokerage products and services a broker-dealer has provided or may be willing to provide. This is known as paying for those services or products with "soft dollars" or credits. Because many of the services or products could be considered to provide a benefit to the firm, and because the "soft dollars" used to acquire them are generated from clients transactions fees, the firm could be considered to have a conflict of interest in allocating client brokerage business: it could receive valuable benefits by selecting a particular broker or dealer to execute client transactions and the transaction compensation charged by that broker or dealer might not be the lowest compensation the firm might otherwise be able to negotiate. In addition, the firm could have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products and services.</p> <p>LGA has chosen TD Ameritrade Institutional as its preferred-broker dealer, and participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC. TD Ameritrade is 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. Adviser receives some benefits from TD Ameritrade through its participation in the program.</p> <p>As referenced above, the firm's use of soft dollars is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a "safe harbor" for investment managers who use commissions or transaction fees paid by their advised accounts to obtain investment research services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities. As required by Section 28(e), the firm will make a good faith determination that the amount of commission or other fees paid is reasonable in relation to the value of the brokerage and research services provided. That is, before placing orders with a particular broker, we generally determine, considering all the factors described below, that the compensation to be paid to TD Ameritrade is reasonable in relation to the value of all the brokerage and research products and services provided by TD Ameritrade. In making this determination, we typically consider not only the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular client, but</p>

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	<p>also the value of those services and products in our performance of our overall responsibilities to all of our clients. In some cases, the commissions or other transaction fees charged by a particular broker-dealer for a particular transaction or set of transactions may be greater than the amounts another broker-dealer who did not provide research services or products might charge.</p> <p>Notwithstanding the above disclosures, LGA acts with a fiduciary responsibility to its clients as a Registered Investment Advisor. LGA participates in broker-dealer programs, as described above, with the aim of providing better tools, technologies, and services to its clients, oftentimes tools and services that are required to deliver the exceptional value promised and provided to clients, and for which are not available to a retail client on their own. As an example, these products or services assist LGA in managing and administering client accounts not maintained at TD Ameritrade (e.g. 401Ks, 529s, Annuities, etc.) and are often ignored by other investment advisors, to the detriment of full client financial planning. Consequently, these technologies and services are critical for LGA to provide the services contracted for with clients. Furthermore, despite our required disclosures above, we have independently benchmarked industry services and fees and believe that TD Ameritrade offers an exceptional total value for the commission charged on each transaction relative the services it provides, as compared to its industry's peers.</p> <p>For 401K, 403B, 457, and 529 accounts under management, LGA client accounts remain with their company- or state-sponsored plan (e.g. Fidelity, Franklin, etc.), but the data is incorporated into the overall asset allocation model and is also included in their LGA-developed quarterly performance report.</p>
13	<p>LGA utilizes various trading and portfolio management technologies from our preferred brokerage firm (TD Ameritrade Institutional) and their related third-party technology and service provider partners, without cost or at a discount. These technologies and services facilitate the management of client accounts, trading, compliance, investment research, customer relationship management, and tax reporting. TD Ameritrade may also have paid for business consulting and professional services received by LGA. Furthermore, some of the products and services made available by TD Ameritrade may solely benefit LGA and not benefit the client. These products or services further assist LGA in managing and administering client accounts not maintained at TD Ameritrade (e.g. 401Ks, 529s, etc.). These technologies and services may not be commercially available for retail clients to use, and are critical for LGA to provide the services contracted for with clients.</p> <p>The benefits received by LGA from TD Ameritrade do not depend on the amount of brokerage transactions directed to TD Ameritrade. Additionally, LGA endeavors at all times to put the interests of its clients first, in compliance with its fiduciary duties as a Registered Investment Advisor. However, while no financial compensation is provided, the use of these technologies and services</p>

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	<p>qualifies as the receipt of an economic benefit, and clients should be aware that the receipt of these benefits may create a potential conflict of interest in influencing the choice of TD Ameritrade for custody and brokerage services.</p> <p>LGA thanks current clients for referring a new client by offering a one-time credit of \$200 toward their future quarterly fees. The new client must meet the following criteria:</p> <ul style="list-style-type: none"> <li>(1) Meets our total portfolio minimum to become a client</li> <li>(2) Remains a client for a minimum of six months</li> </ul>