

Form ADV Part 2A – Firm Brochure

Item 1 – Cover Page

Lof Lopez and Associates, LLC
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Date of Brochure: June 2013

This brochure provides information about the qualifications and business practices of Lof Lopez and Associates, LLC. If you have any questions about the contents of this brochure, please contact us at 800-829-2523 or info@loflopez.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 Lof Lopez and Associates is also available on the Internet at www.adviserinfo.sec.gov. You can view the firm's information on this website by searching for Lof Lopez and Associates. You may search for information by using the firm's name or by using its CRD number. The CRD number for Lof Lopez and Associates is 144370.

*Registration as an investment advisor does not imply a certain level of skill or training.

Item 2 – Material Changes

Since our last annual update was filed in March 2013, we have made material changes to this brochure due to moving from registration with the United State Securities and Exchange Commission (SEC) to the state level.

Beginning in 2011, investment advisor firms registered with the SEC with less than \$90 million in assets under management were required to transition to registration directly with state securities regulators. As of the end of our most recently completed fiscal year, December 31, 2012, our firm's assets under management are below the \$90 million threshold and thus must transition to state registration. Subsequently, Item 19 – Requirements for State Registered Advisers has been added to this brochure and we have made revisions throughout the document noting our registration is at the state level rather than with the SEC.

We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes, if any, no later than April 30 each year. At that time we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

Item 3 – Table of Contents

| | |
|--|----|
| Item 1 – Cover Page | 1 |
| Item 2 – Material Changes | 2 |
| Item 3 – Table of Contents | 3 |
| Item 4 – Advisory Business | 4 |
| General Description of Primary Advisory Services | 4 |
| Financial Planning | 4 |
| Asset Management Services | 4 |
| Consulting Services | 5 |
| Use of Third Party Investment Advisors | 5 |
| Retirement Plan Services | 5 |
| Specialization | 5 |
| Types of Investments | 5 |
| Tailor Advisory Services to Individual Needs of Clients | 6 |
| Client Assets Managed by Lof Lopez | 6 |
| Item 5 – Fees and Compensation | 6 |
| 1. Financial Planning Services | 6 |
| 2. Asset Management Services | 6 |
| 3. Account and Portfolio Consultations | 9 |
| 4. Third-Party Investment Advisors | 10 |
| 5. Retirement Plan Services | 11 |
| Item 6 – Performance-Based Fees and Side-By-Side Management | 14 |
| Item 7 – Types of Clients | 15 |
| Minimum Investment Amounts Required | 15 |
| Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss | 15 |
| Methods of Analysis in Formulating Investment Advice | 15 |
| Investment Strategies when Managing Client Assets and/or Providing Investment Advice | 16 |
| Use of Primary Method of Analysis or Strategy | 17 |
| Risk of Loss | 18 |
| Item 9 – Disciplinary Information | 20 |
| Item 10 – Other Financial Industry Activities and Affiliations | 20 |
| Relationship with Cambridge Investment Research, Inc. | 21 |
| Arrangement with Unaffiliated Investment Advisors | 21 |
| Personnel Also Insurance Agents | 21 |
| Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading | 21 |
| Code of Ethics Summary | 21 |
| Affiliate and Employee Personal Securities Transactions Disclosure | 22 |
| Item 12 – Brokerage Practices | 22 |
| Cambridge Investment Research, Inc. | 22 |
| Cambridge Equity Participation Plan | 23 |
| Continuity Partners Group, LLC | 23 |
| Recommendation of Fidelity Investments and MG Trust Company, LLC | 24 |
| Block Trading Policy | 24 |
| Item 13 – Review of Accounts | 25 |
| Account Reviews and Reviewers | 25 |
| Statements and Reports | 25 |
| Item 14 – Client Referrals and Other Compensation | 26 |
| Client Referrals | 26 |

| | |
|--|----|
| Other Compensation | 26 |
| Item 15 – Custody | 26 |
| Item 16 – Investment Discretion | 27 |
| Item 17 – Voting Client Securities | 27 |
| Item 18 – Financial Information | 28 |
| Item 19 – Requirements for State-Registered Advisers | 28 |
| CUSTOMER PRIVACY POLICY | 30 |

Item 4 – Advisory Business

Lof Lopez and Associates, LLC (also referred to as “Lof Lopez” throughout this document) is an investment advisor properly registered or exempt from registration in each state where we conduct business. Our company is a limited liability company formed under the laws of the State of Arizona.

- We have been registered as an investment advisor since June 28, 2007. Prior to forming our own investment advisory firm, the associates of Lof Lopez provided fee-based, investment advisory services through LPL Financial. Larry Lof was an investment advisor representative with LPL Financial from October 1997 through July 2007 and Chris Lopez was an LPL Financial investment advisory representative from December 2000 through July 2007. During the summer of 2007 we formed Lof Lopez and Associates and also joined Cambridge Investment Research, Inc. (referred to as “Cambridge” throughout this document).
- The associated persons of Lof Lopez are also registered representatives of Cambridge, a registered broker/dealer, member SIPC/FINRA, and our offices are also Cambridge branch office locations. More details regarding our affiliation with Cambridge is provided at Item 5, Item 10 and Item 12 of this Disclosure Brochure.
- The firm is equally owned by Larry Lof, President & Managing Member, and Chris Lopez, Partner, Chief Compliance Officer & Managing Member.
- We provide fee-only investment advisory services through Lof Lopez. The nature and extent of the specific services provided to clients, including you, will always depend on each client’s financial status, objectives and needs, time horizons, concerns, expectations and risk tolerance.

General Description of Primary Advisory Services

The following are brief descriptions of Lof Lopez’s primary services. A detailed description of our services is provided in Item 5 – Fees and Compensation so that clients and prospective clients can review the services and description of fees in a side-by-side manner.

Financial Planning. We offer advisory services in the form of financial planning services. Financial planning services do not involve the active management of client accounts, but instead focus on a client’s overall financial situation. Financial planning can be described as helping individuals determine and set their long-term financial goals, through investments, tax planning, asset allocation, risk management, retirement planning, and other areas. The role of a financial planner is to find ways to help the client understand his/her overall financial situation and help the client set financial objectives.

Asset Management Services. This is the primary service we offer and most clients receiving this Disclosure Brochure will be signing up for Asset Management Services. The service involves providing clients with continuous and on-going supervision over client accounts. This means that we will

continuously monitor a client's account and make trades in client accounts when necessary. Typically, Lof Lopez will have discretion over your accounts which means Lof Lopez can buy and sell securities without talking to you prior to each buy/sell decision.

Consulting Services. We also provide advisory services through what we call Account and Portfolio Consulting Services. Consulting Services do not involve the active management of client accounts, but instead focus on investments or accounts not managed by Lof Lopez. Although we do not trade or implement our recommendations for clients signing up for this program, services are still provided on an on-going basis depending on the specific needs of the client signing up for the service.

Use of Third Party Investment Advisors. We provide advisory services by referring clients to outside, or unaffiliated, money managers that are registered or exempt from registration as investment advisors. Third-party money managers are responsible for continuously monitoring client accounts and making trades in client accounts when necessary.

Retirement Plan Services. We provide several advisory services for corporate retirement plans such as pension, profit sharing and 401(k) plans. Such services are specific to the plan and may include working with individual participants.

Specialization.

We specialize in the following areas:

- Financial planning focusing on the areas of retirement planning and asset management.
- Investment Management specializing in selection of equities, mutual fund and exchange traded funds (ETF) portfolios.
- Investment Management specializing in the selection of alternative investments such as managed futures.
- Investment management services focusing in the areas of quantitative analysis and technical analysis.

Types of Investments.

We are willing to offer advice on all types of investments owned by a client and, at the specific request of a client, will explore investment options not currently owned by a client. The following are some of the general categories of securities we will advise.

- Exchange-listed securities
- Securities traded over-the-counter
- Exchange Traded Funds (ETFs)
- Foreign issues
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States government securities
- Options contracts on securities and commodities

- Futures contracts on tangibles and intangibles
- Interests in partnerships investing in real estate, and oil and gas interests
- Managed futures

When providing Asset Management Services, we typically construct each client's account holdings using individual securities, mutual funds and exchange traded funds (ETF's) to build diversified portfolios.

Tailor Advisory Services to Individual Needs of Clients

Our services are **always** provided based on the individual needs of the individual client. You are given the ability to impose restrictions on your accounts including specific investment selections and sectors.

Client Assets Managed by Lof Lopez

The amount of clients assets managed by our firm totaled \$83,584,636.67 as of December 31, 2012. \$81,952,636.67 is managed on a discretionary basis and \$1,632,000.00 is managed on a non-discretionary basis.

Item 5 – Fees and Compensation

In addition to the information provided in Item 4 – Advisory Business, this section provides details regarding Lof Lopez's services along with descriptions of each service's fees and compensation arrangements.

1. Financial Planning Services

Our financial planning services include the preparation of written financial plans that are specific your individual needs and concerns. Topics included in a financial plan may include, but are not necessarily limited to, the following: retirement planning, college planning, and insurance planning.

We charge a fixed fee of \$1,500 for our written financial planning services. Fees will be due upon completion and presentation of the financial plan. Financial planning services terminate upon presentation of the written plan. You can terminate a Financial Planning Agreement prior to presentation of the written financial plan with no penalty and no fees due.

While we provide financial planning services with the intention of you implementing the recommendations made within the plan through one of our other advisory programs, you are not obligated to do so.

If you elect to have an associated person of Lof Lopez implement financial planning advice, implementation will be through the services described in the following sections. In the alternative, an associated person, in his/her capacity as a registered representative of Cambridge may implement the advice through a traditional, commission-based brokerage account. In these situations we may waive or reduce the amount of the financial planning fee as a result of the additional fees and/or commissions being earned. Any adjustment to the financial planning fee is at our discretion and will be disclosed to you prior to implementing transactions.

2. Asset Management Services

Most individuals receiving this Disclosure Brochure will be signing up for our Asset Management Services which can best be described as providing continuous investment advice and making investment decisions for the client based on the specific needs of the client.

Through this service, we offer a highly customized and individualized investment program for clients. We will actively manage client investment portfolios in accordance with each client's individual needs, objectives and risk tolerance. These accounts may be managed on either a discretionary or non-discretionary basis. See Item 16 for an explanation of Investment Discretion. A specific investment strategy and investment policy is crafted to focus on the specific client's goals and objectives.

Financial Planning Services: In connection with our Asset Management Services, you may want us to provide on-going financial planning assistance. Topics included in a financial plan may include, but are not necessarily limited to, the following: retirement planning, college planning, and insurance planning. If we agree to provide you financial planning services side-by-side with our Asset Management Services, we will not charge a separate or additional fee for financial plans. The exact topics to be covered as part of the financial planning process will be agreed upon, in writing, prior to commencing such services.

Lof Lopez's Asset Management Services are provided under the Cambridge Managed Account Platform (CMAP) or through accounts maintained directly at variable annuity and/or variable life insurance companies. For some clients, Lof Lopez manages 401(a) and 403(b) accounts directly at Fidelity Investments. For clients that sponsor 401(k) and/or profit sharing plans, Lof Lopez may recommend they establish an account through the Matrix platform.

CMAP Accounts. CMAP accounts will generally always be custodied at National Financial Services, LLC (NFS) a broker-dealer member of the NYSE. However, Lof Lopez may recommend the use of Pershing, LLC in certain situations. For example, Pershing would be recommended when a client is in need of an individual 401(k) account. Pershing provides a platform to create and manage individual 401(k) accounts that is not currently available on the NFS platform. Cambridge a registered broker-dealer, member NASD/SIPC, serves as the introducing broker-dealer for these accounts and clears securities transactions on a fully disclosed basis through NFS and Pershing. For accounts established through the CMAP program, an associated person of Lof Lopez will have trading authorization over the account in the associated person's separate capacity as a registered representative of Cambridge. Clients of Lof Lopez may pay higher account-related fees and execution charges than if Lof Lopez or client had selected a broker/dealer or custodian other than Cambridge, Pershing and NFS. The client's qualified custodian, NFS or Pershing, will maintain constructive custody of all funds and securities.

Variable Annuity and Variable Life Insurance. When Lof Lopez manages variable annuity policies or variable life insurance policies, the annuity and/or insurance company will serve as the qualified custodian and maintain constructive custody of the client's funds and securities.

Fidelity Investments. Lof Lopez manages 401(a) and 403(b) accounts through the Fidelity Investments (Fidelity) platform. This platform is only available to a small number of Lof Lopez's clients and is not generally solicited to all clients of Lof Lopez. Through this arrangement, Lof Lopez will be granted third-party trading authorization over the client's account. Fidelity Brokerage Services, LLC, National Financial Services, LLC, or another Fidelity company will serve as the client's qualified custodian and maintain custody of all funds and securities.

Matrix. Lof Lopez has established a relationship with Matrix Settlement & Clearance Services, LLC (MSCS) to recommend its 401(k) and profit sharing platform to clients. This platform allows participants to establish retirement plans for its employees. Sunwest Pensions serves as the third-party administrator and MG Trust Company, LLC (MG) serves as the qualified custodian for all client funds and assets. Through this platform, participants are able to select among various investment options on a self-directed basis. Investment options are recommended by Lof Lopez. Among those investment options will be a

mutual fund and ETF model developed and managed on an on-going basis by Lof Lopez. Participants are not allowed to change selections within the model. All decisions for model inclusion are made by Lof Lopez. Changes to the model and subsequent trades are completed by Lof Lopez. Fees for this platform will be calculated by Lof Lopez and collected from the custodian. For accounts established through the Matrix platform, an associated person of Lof Lopez will have trading authorization over the account in the associated person's separate capacity as a registered representative of Cambridge.

See Item 12 – Brokerage Practices for additional information regarding our brokerage arrangements.

Fees.

- Asset management services can be billed based on a percentage of the assets under management or charged on a fixed-fee basis.
- Fees charged by Lof Lopez do not exceed 3.00% of the client's total assets being managed by the firm, per year, and will be agreed upon with the client and disclosed in the Investment Advisory Agreement prior to services being provided. You may find that our fees are more expensive compared to other investment advisors providing similar services.
- Fees are determined based on factors such the strategy and/or model used to manage the client's account, the amount of trading anticipated in the client's account, and the overall complexity of the strategies needed to implement the client's investment plan. A higher percentage fee is assessed to accounts that are more actively traded and more actively managed than accounts that require less active trading and less active management.
- Transaction ticket fees charged by Cambridge, NFS or other custodians may be paid by Lof Lopez or billed directly to the client.

The annual management fee may be waived for variable annuity or variable life insurance accounts. However, Larry Lof, in his separate capacity as a registered representative of Cambridge and licensed insurance agent, receives commissions when clients purchase variable annuity and variable life insurance policies through him.

- **When a percentage of assets under management fee is agreed upon**, the annual fee for Lof Lopez's services is divided and billed quarterly in advance based on the value of the account at the end of the previous quarter. The initial fee will be pro-rated based on the number of days the account is opened during the initial period.
- **When a fixed-fee is agreed upon**, the annual fee for Lof Lopez's services will be determined at the time the initial agreement is executed. The fee for the first year of services will be pro-rated by the number of days remaining in the year. Fees are divided and billed into equal quarterly payments and are due in advance of each quarter. Annual fixed-fees are determined based on the amount of the client's assets, the complexity of the client's financial situation and the estimated amount of Lof Lopez's time that will be needed throughout the year. The annual fee will automatically carry over from year to year unless both parties agree, in writing, to a different fee.

Fees are typically deducted directly from the client's account. Clients must provide the custodian with written authorization to have fees deducted from the account and paid to Lof Lopez. The custodian will

send client statements, at least quarterly, showing all disbursements for the account including the amount of the advisory fee, if deducted directly from the account. Cambridge will assist Lof Lopez with the automatic deduction of the quarterly fee. Upon instruction from Lof Lopez, Cambridge shall submit instructions to the qualified custodian to deduct the calculated fee. It is Lof Lopez and client's responsibility to verify the accuracy of Lof Lopez's fee calculation and the qualified custodian will not determine whether the fee has been properly calculated. Upon approval from Lof Lopez, clients may pay fees via direct invoice. For clients paying via invoice, fees shall be due upon client's receipt of the invoice.

Clients may incur certain charges imposed by third parties other than Lof Lopez in connection with investments made through the account, including but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, variable annuity/insurance fees and surrender charges, and IRA and qualified retirement plan fees. Management fees charged by Lof Lopez (which include transaction ticket fees charged by Cambridge, NFS or other custodians) are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. A description of these fees and expenses are available in each investment company security's prospectus. **For CMAP and Matrix accounts, Lof Lopez's associated persons, in their separate capacity as registered representatives of Cambridge may retain a portion of the commissions charged to the client.** These commissions may include mutual fund sales loads, 12b-1 fees and surrender charges, variable annuity fees, surrender charges, and IRA and qualified retirement plan fees. When managing ERISA and qualified accounts, Lof Lopez the 12b-1 fees and other commissions are rebated back to the client's account. However for non-retirement (i.e. non-ERISA and non-qualified accounts), 12b-1 fees will be retained by Lof Lopez's associated persons in their individual capacities as registered representatives of Cambridge. Lof Lopez does not lower or offset its advisory fee for non-retirement accounts due to the receipt of 12b-1 fees.

Either party may terminate the Investment Advisory Agreement at any time. If services are terminated within five (5) business days of executing the agreement, services will be terminated without penalty and no fees shall be due. If services are terminated after the initial five day period, clients shall receive a pro-rated refund based on the number of days the account was opened during the period. For clients paying in arrears, the final fee will be pro-rated and charged to the client as calculated on the date of termination. In the event a client terminates services, termination shall be effective from the time Lof Lopez receives notification or such other time as may be mutually agreed upon, subject to the settlement of transactions in progress and the final payment of advisory fees. There will be no penalty charge upon termination. In the event Lof Lopez terminates the relationship, the agreement will be terminated on the fifth day after written notification is delivered to the client or such time as may be mutually agreed upon, also subject to the settlement of transactions in progress and the final payment of advisory fees.

3. Account and Portfolio Consultations

Through this service, Lof Lopez provides financial and investment consultations on accounts not managed or maintained by our firm. This means we will review only accounts for which Lof Lopez is **not** advisor of record on the account or accounts where the Lof Lopez's associated persons do **not** serve as registered representatives (i.e. Lof Lopez and its associated persons are **not** granted trading authorization over the client account). **All trade implementation under this service is the responsibility of the client.** Lof Lopez and its associated person will not at any time have access to a client's funds, securities, or account(s) and therefore will not have authority to rebalance, reallocate or trade in the account.

Accounts are reviewed based upon the client's specific needs and desires for future financial goals and/or objectives. General or specific recommendations are provided to the client by Lof Lopez. Although we will not trade accounts covered under this service, we will provide continuous and regular consultations on a quarterly or more frequent basis.

- The typical fee shall not exceed an annual fee of 2.0% of the total assets being reviewed.
- Fees are billed quarterly, in advance, and due upon receipt of a billing statement from Lof Lopez.
- The exact fee charged each client is contingent upon the nature and complexity of the client's financial circumstances and will be stated in the agreement for services with the client.
- Some clients may receive account and portfolio consultations free of charge based on special circumstances.

Brokerage commissions and/or transaction ticket fees charged by the client's custodian will be billed directly to the client. Because Lof Lopez does not implement transactions under this program, Lof Lopez will not receive any portion of such commissions or fees from the custodian or client. In addition, clients may incur certain charges imposed by third parties other than Lof Lopez in connection with investments suggested by Lof Lopez and implemented by the client, including but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, variable annuity fees and surrender charges, and IRA and qualified retirement plan fees. Fees charged by Lof Lopez are separate and distinct from the fees and expenses charged by third parties.

Either party may terminate the Investment Advisory Agreement by providing notice to the other party. Termination will be effective upon receipt of notification. If services are terminated within five (5) business days of executing the agreement, services will be terminated without penalty and no fees shall be due. If services are terminated after the initial five day period, the final fee will be pro-rated and billed to the client. In the event a client terminates services, termination shall be effective from the time Lof Lopez receives notification or such other time as may be mutually agreed upon. There will be no penalty charge upon termination. In the event Lof Lopez terminates the relationship, the Agreement will be terminated after written notification is delivered to the client or such time as may be mutually agreed upon.

4. Third-Party Investment Advisors

Lof Lopez may act as a solicitor and refer clients to unaffiliated third-party investment advisors that offer asset management services to clients. As a result, Lof Lopez is paid a portion of the fee charged and collected by the third-party investment advisor in the form of solicitor fees or consulting fees. Each solicitation arrangement is performed pursuant to a written solicitation agreement and is in compliance with SEC Rule 206(4)-3.

Whenever we recommend a third-party investment advisor, we will still assist our client with identifying the client's risk tolerance and investment objectives. We will recommend third-party investment advisors in relation to the client's stated investment objectives and risk tolerance. While we recommend third-party investment advisors, it is the client's ultimate responsibility to select the recommended third-party investment advisor based upon the client's needs. Clients will enter into an agreement directly with the unaffiliated third-party investment advisor.

Lof Lopez will be available to answer questions clients have regarding their account and act as the communication conduit between the client and the third-party investment advisors. Third-party investment advisors may take discretionary authority to determine the securities to be purchased and sold

for the client. Neither Lof Lopez nor its associated persons will have any trading authority with respect to client's managed account with the third-party investment advisor(s).

Third-party managed programs generally have account minimum requirements that will vary from investment advisor to investment advisor. Account minimums are generally higher on fixed income accounts than equity based accounts. A complete description of the third-party investment advisor's services, fee schedules and account minimums will be disclosed in the third party investment advisor's Form ADV Disclosure Brochure or Wrap Fee Program Brochure which will be provided to clients at the time an agreement for services is executed and account is established. Client reports will depend upon the third-party investment advisor.

While the actual fee charged to a client will vary depending on the third-party investment advisor utilized, the portion retained by Lof Lopez in the form of solicitor fees or consulting fees shall not exceed 1.00%. All fees are calculated and collected by the selected third-party investment advisor firm who shall be responsible for delivering our portion of the client fee to our firm.

Clients are advised that Lof Lopez may have a conflict of interest by only offering those third-party investment advisors that have agreed to pay a portion of their advisory fee to Lof Lopez. Clients are advised that there may be other third-party managed programs that may be suitable to the client that may be more or less costly.

5. Retirement Plan Services

Lof Lopez offers retirement plan services to retirement plan sponsors and to individual participants in retirement plans. For a corporate sponsor of a retirement plan, our retirement plan services can include, but are not limited to, the following services:

Fiduciary Consulting Services

Lof Lopez may provide one or more the following Fiduciary Retirement Plan Consulting Services. The exact suite of services will be detailed in the client's agreement with Lof Lopez

- **Investment Policy Statement Preparation.** We help clients develop an investment policy statement. The investment policy statement establishes the investment policies and objectives for the Plan. Clients will have the ultimate responsibility and authority to establish such policies and objectives and to adopt and amend the investment policy statement.
- **Non-Discretionary Investment Advice.** We will provide clients with general, non-discretionary investment advice regarding assets classes and investment options, consistent with the Plan's investment policy statement.
- **Investment Selection Services.** We will provide clients with recommendations of investment options consistent with ERISA section 404(c).
- **Investment due Diligence Review.** We will provide periodic due diligence reviews of the Plan's reports, investment options and recommendations.
- **Investment Monitoring.** Assist in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformation to the guidelines set forth in the investment policy statement and Lof Lopez will make recommendations to maintain or remove and replace investment options.
- **Default Investment Alternative Advice.** Provide non-discretionary investment advice to assist with the development of qualified default investment alternative(s) ("QDIA"), as defined in DOL Reg.

Section 2550.404c-5(e)(4)(i), for participants who are automatically enrolled in the Plan or who otherwise fail to make an investment election. Clients retain the sole responsibility to provide all notices to participants required under ERISA section 404(c)(5).

- Individualized Participant Advice. Upon request, we can provide one-on-one advice to Plan participants regarding their individual situations.

For Fiduciary Consulting Services, all recommendations of investment options and portfolios will be submitted to the client for the client's ultimate approval or rejection. For retirement plan Fiduciary Consulting Services, the retirement plan sponsor client or the plan participant who elects to implement any recommendations made by us is solely responsible for implementing all transactions.

Fiduciary Consulting Services are not management services, and Lof Lopez does not serve as administrator or trustee of the plan. Lof Lopez does not act as custodian for any client account or have access to client funds or securities (with the exception of, some accounts, having written authorization from the client to deduct our fees).

Lof Lopez acknowledges that in performing the Fiduciary Consulting Services listed above that it is acting as a "fiduciary" as such term is defined under Section 3(21)(A)(ii) of Employee Retirement Income Security Act of 1974 ("ERISA") for purposes of providing non-discretionary investment advice only. Lof Lopez will act in a manner consistent with the requirements of a fiduciary under ERISA if, based upon the facts and circumstances, such services cause Lof Lopez to be a fiduciary as a matter of law. However, in providing the Fiduciary Consulting Services, Lof Lopez (a) has no responsibility and will not (i) exercise any discretionary authority or discretionary control respecting management of Client's retirement plan, (ii) exercise any authority or control respecting management or disposition of assets of Client's retirement plan, or (iii) have any discretionary authority or discretionary responsibility in the administration of Client's retirement plan or the interpretation of Client's retirement plan documents, (b) is not an "investment manager" as defined in Section 3(38) of ERISA and does not have the power to manage, acquire or dispose of any plan assets, and (c) is not the "Administrator" of Client's retirement plan as defined in ERISA.

Fiduciary Management Services

Lof Lopez may provide clients with one or all of the following Fiduciary Retirement Plan Management Services. The exact suite of services will be detailed in the client's agreement with Lof Lopez.

- Discretionary Investment Selection Services. Lof Lopez will monitor the investment options of the Plan and add or remove investment options for the Plan. Lof Lopez will have discretionary authority to make all decisions regarding the investment options that will be made available to Plan participants.
- Default Investment Alternative Management. Lof Lopez will develop and actively manage qualified default investment alternative(s) ("QDIA"), as defined in DOL Reg. Section 2550.404c-5(e)(4)(i), for participants who are automatically enrolled in the Plan or who otherwise fail to make an investment election.
- Investment Management via Model Portfolios. Lof Lopez will provide discretionary management via model portfolios. Lof Lopez manages Model Portfolios which are investment options available to Plan participants. If a Plan has elected to include Lof Lopez's Model Portfolios as available options for the qualified retirement plan, then each Plan participant will have the option to elect or not elect the Model Portfolios managed by Lof Lopez and will be allowed to impose reasonable restrictions upon the management of each account by written instructions to Lof Lopez.

If a client elects to utilize any of Lof Lopez's Fiduciary Management Services, then Lof Lopez will be acting as an Investment Manager to the Plan, as defined by ERISA section 3(38), with respect to our Fiduciary Management Services, and Lof Lopez hereby acknowledges that it is a fiduciary with respect to its Fiduciary Management Services.

Lof Lopez does not act as custodian for any client account. Other than trading authority, we do not have access to client funds or securities (with the exception of, some accounts, having written authorization from the client to deduct our fees).

Non-Fiduciary Services

Although an investment adviser is considered a fiduciary under the Investment Advisers Act of 1940 and required to meet the fiduciary duties as defined by the Advisers Act, the services listed here as non-fiduciary should not be considered fiduciary services for the purposes of ERISA since Advisor is not acting as a fiduciary to the Plan as the term “fiduciary” is defined in Section 3(21)(A)(ii) of ERISA. The exact suite of services provided to a client will be listed and detailed in the Qualified Retirement Plan Agreement.

Lof Lopez may provide clients with one or all of the following Non-Fiduciary Retirement Plan Consulting Services. The exact suite of services will be detailed in the client's agreement with Lof Lopez.

- Participant Education. Lof Lopez will provide education services to Plan participants about general investment principles and the investment alternatives available under the Plan. Lof Lopez's assistance in participant investment education will be consistent with and within the scope of DOL Interpretive Bulletin 96-1. Education presentations will not take into account the individual circumstances of each participant and individual recommendations will not be provided unless otherwise agreed upon. Plan participants are responsible for implementing transactions in their own accounts.
- Participant Enrollment. Lof Lopez will assist the client with group enrollment meetings designed to increase retirement plan participation among employees and investment and financial understanding by the employees.
- Qualified Plan Development. Lof Lopez will assist with the establishment of a qualified plan by working with the client and a selected Third Party Administrator. If a client has not already selected a Third Party Administrator, we can assist with the review and selection of a Third Party Administrator for the Plan.
- Fiduciary File Set-up. Lof Lopez will help establish a “fiduciary file” for the Plan which contains trust documents, custodial/brokerage statements, investment performance reports, services agreements with investment management vendors, the investment policy statement, investment committee minutes, asset allocation/asset liability studies, due diligence fields on funds/money managers and monitoring procedures for funds and/or money managers.

Securities and other types of investments all bear different types and levels of risk. Those risks are typically discussed with clients in defining the investment policies and objectives that will guide investment decisions for their qualified plan accounts. Upon request, as part of our retirement plan services, we can discuss those investments and investment strategies that we believe may tend to reduce these risks for a particular client's circumstances and plan participants.

Clients and plan participants must realize that obtaining higher rates of return on investments entails accepting higher levels of risk. Based upon discussions with the client, we will attempt to identify the balance of risks and rewards that is appropriate and comfortable for the client and other employees. It is still the clients' responsibility to ask questions if the client does not fully understand the risks associated with any investment. All plan participants are strongly encouraged to read prospectuses, when applicable, and ask questions prior to investing.

We strive to render our best judgment for clients. Still, Lof Lopez cannot assure that investments will be profitable or assure that no losses will occur in their portfolios. Past performance is an important consideration with respect to any investment or investment advisor, but it is not necessarily an accurate predictor of future performance.

Lof Lopez will disclose, to the extent required by ERISA Regulation Section 2550.408b-2(c), to clients any change to the information that we are required to disclose under ERISA Regulation Section 2550.408b-2(c)(1)(iv) as soon as practicable, but no later than sixty (60) days from the date on which we are informed of the change (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable).

In accordance with ERISA Regulation Section 2550.408b-2(c)(vi)(A), we will disclose within thirty (30) days following receipt of a written request from the responsible plan fiduciary or Plan Administrator (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable) all information related to the Qualified Retirement Plan Agreement and any compensation or fees received in connection with the Agreement that is required for the Plan to comply with the reporting and disclosure requirements of Title 1 of ERISA and the regulations, forms and schedules issued thereunder.

If we make an unintentional error or omission in disclosing the information required under ERISA Regulation Section 2550.408b-2(c)(1)(iv) or (vi), we will disclose to clients the correct information as soon as practicable, but no later than thirty (30) days from the date on which we learn of such error or omission.

Fees for Retirement Plan Services

We charge an annual fee which is negotiable based upon the complexity of the plan, the size of the plan assets, the actual services requested, the representative providing the services and the potential for additional deposits.

Due to client differences and negotiability factors, annual fees range between 50 bps (0.50%) and 100 bps (1.00%) annually.

Fees are billed in arrears (at the end of the billing period) on a quarterly calendar basis and calculated based on the average daily balance of the Plan during the current billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for the client's Plan opened at any time other than the beginning of the billing period.

Plan sponsors may choose to pay the fee separately due upon receipt of the billing notice or have it billed from directly from the Plan. If clients elect to have the fee automatically deducted from the Plan, they are required to provide the custodian with written authorization to deduct the fees from the account and pay the fees to Lof Lopez.

Retirement plan services are for a term of 3 years. Clients may terminate the services upon providing Lof Lopez with notice. We may terminate the services upon providing clients with written notice effective upon 60 days after clients receive the written notice. If services are terminated within five business days of signing the client agreement, services are terminated without penalty. The final period's fee will be prorated based on the number of days services are provided and billed to the client.

Lof Lopez does not reasonably expect to receive any other compensation, direct or indirect, for its Services. If we receive any other compensation for such services, we will (i) offset that compensation against our stated fees, and (ii) will disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

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

Item 6 of the Form ADV Part 2 instructions is not applicable to Lof Lopez's brochure because we never charge or accept performance-based fees. Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

Item 7 – Types of Clients

Lof Lopez generally provides investment advice to the following types of clients.

- Individuals (including High-Net Worth Individuals, Trusts, Estates)
- Pension and profit sharing plans
- Charitable organizations
- Corporations and other businesses

All clients are required to execute an agreement for services in order to establish a client arrangement with Lof Lopez.

Minimum Investment Amounts Required

Lof Lopez requires an initial minimum investment amount of \$25,000 for its Asset Management Services. Active accounts that fall below this minimum remain eligible for Asset Management Services. Exceptions to the initial minimum investment amount may be granted at Lof Lopez's discretion.

We do not require a minimum investment amount for our other services. However, when we recommend third party investment advisors, they may impose minimum investment levels.

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

Methods of Analysis in Formulating Investment Advice

Fundamental - Fundamental analysis is a method of evaluating a company or security by attempting to measure its intrinsic value. In other words, trying to determine its true value by looking at all aspects of the business, including both tangible factors (e.g., machinery buildings, land, etc.) and intangible factors (e.g., patents, trademarks, "brand" names, etc.). Fundamental analysis also involves examining related economic factors (e.g., overall economy and industry conditions, etc.), financial factors (e.g., company debt, interest rates, management salaries and bonuses, etc.), qualitative factors (e.g., management expertise, industry cycles, labor relations, etc.), and quantitative factors (e.g., debt-to-equity and price-to-equity ratios).

The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

Technical - This method of evaluating securities analyzes statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Lof Lopez utilizes quantitative and technical processes that dynamically manage every stock in our portfolio. The process focuses on individual stock risk and also helps to not over expose the portfolio in any one asset class.

Our portfolio is built with a bottom-up process looking for individual companies whose industries are not necessarily in vogue. We believe shares of such companies are likely to perform better over longer periods of time despite the ebb and flow of market fads.

To ensure the quality and style of the stocks in the portfolio the selection process is updated quarterly.

Specific Screening Criteria

The following are some specific methods of analysis we use to select investments.

1. *Sales Growth* - This screen further requires that each company's Trailing Twelve Month (TTM) Sales growth be greater than the three-year cumulative average rate of Sales growth (Acceleration Factor) and a greater than the average rate of (TTM) Sales growth for its industry (Peer Group Analysis).

2. *EPS Growth* - The stocks are further screened by Earnings per Share (EPS) by focusing on recent results. This is more likely to influence near-term share price performance.

3. *EPS vs. Sales* - The screen requires that EPS growth exceed Sales growth over the past three years, and in the Trailing Twelve Month period (TTM). This helps to locate stocks that are stronger in the most recent quarter.

4. *Relative Value* - Traditionally, we want to buy stocks with valuation ratios, such as Price-to-Earnings (P/E) or Price-to-Sales, below a 15 to 1. This screen assumes the marketplace sets prices in such a way that similar assets will have similar valuations. This criterion is used to locate the value stocks in this portfolio. It assumes that anomalies will eventually be corrected by a rise in the price of an undervalued asset.

5. *Valuation Ratios* - The next data to be examined is the Trailing Twelve Month (TTM) ratios for Price-to-Earnings, Price-to-Sales, and Price-to-Free Cash Flow, and in each case, it is required that the stock's ratios be no more than 10 percent above the industry average. It is also required that the P/E-to-Growth (PEG) ratio be at or below 2.00.

Our strategy is to identify undervalued companies with strong fundamental characteristics. We then track each company using quantitative and technical analysis software from VPM Partners. This highly effective software determines when we should purchase and when we should sell each stock.

Investment Strategies when Managing Client Assets and/or Providing Investment Advice

The following are some general investment strategies we use when managing client accounts.

- Long term purchases - Investments held at least a year.
- Short term purchases - Investments sold within a year.
- Trading - Investments sold within 30 days.
- Margin transactions. When an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest from a brokerage firm. For example, an investor may buy \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock for Lof Lopez.
- Option writing including covered options, uncovered options, or spreading strategies. Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.

The following strategies are little more specific to our investment approach than the explanations above.

We have developed the **New Economy Value Growth Strategy**. This strategy is not focused on any one sector per se; it is more about innovation and company's innovative uses of technology in today's

intertwined global and ever changing marketplace. This portfolio is designed with a goal to capture appreciation in both growth and value styles. The primary focus is to have the flexibility to adapt to and take advantage of the constantly changing environment in today's "New Economy". To do this we focus in the mid-cap to large-cap segment of the market. The reason for this concentration is that these companies have strong institutional following and offer a high level of liquidity.

This portfolio is comprised of global companies whose innovative technologies, efficiencies and services focus on the generation and use of cleaner energy, conservation, and efficiency. This is achieved through a stringent fundamental screening and filtering process combined with the use of innovative technology to accomplish a true risk adjusted return for our investors.

Imagination, intellectual property, innovation, transportation, and energy will drive the future of business. As the global markets become more competitive, embracing the issues above will become a corporate mandate. The companies that understand and embrace these issues will be the leaders for years to come.

Managing Risk

The methodology we utilize incorporates a technically advanced and robust allocation process to aid in the **control of risk** during adverse market conditions.

The strategy further rotates the assets in different sectors as the focus of the markets change. Most times the portfolio will be concentrated in 3 to 4 sectors as it attempts to achieve positive returns during robust market conditions.

Our **Dynamic Allocation Model**, from time-to-time, will rotate the allocation between growth and value styles. In addition, our strategy utilizes cash as an asset class. This allows us to change the "beta" or the risk profile of the portfolio by raising the cash position. Therefore, when there are broad market declines or the focus on asset classes or styles change, the portfolio will have a greater portion of the assets in cash or a riskless investment vehicle.

Conversely, when the markets are appreciating, the **New Economy Value Growth Strategy** will have a smaller cash position raising market exposure as the probability for market appreciation increases.

Goal setting. We believe that our clients must set their own goals. It is our responsibility to educate them in the process and to assist them to define, quantify and prioritize their goals.

Rule of thumb planning. We believe that "rule of thumb" planning (such as retirement income should equal 80 percent of pre-retirement income) is an incompetent and unprofessional method in planning for a client's financial independence. We use a sophisticated financial management program to develop an accurate and consistent financial strategy.

Cash flow. We believe that our clients need total return, not dividends or interest. The traditional concept of an "income" portfolio is archaic and places unnecessary and inappropriate restrictions on portfolio design.

Use of Primary Method of Analysis or Strategy

Lof Lopez's primary method of analysis or strategy utilizes a quantitative and technical process that dynamically manages every stock, mutual fund or ETF in our portfolios. The process focuses on individual investment risk and also helps to not over expose the portfolio in any one asset class.

Our portfolio is built with a bottom-up process looking for individual companies or assets whose industries are not necessarily in vogue. We believe shares of such companies are likely to perform better over longer periods of time despite the ebb and flow of market fads.

To ensure the quality and style of the investments in the portfolio the selection process is updated quarterly.

Some of the risks involved with using this method include market risk, equity market risk, credit risk, mutual fund and EFT risk, and timing risk. Even though, we are not timing the markets, our system does recognize trends, up or down, and then issues buy or sell signals. So by nature the trend has to be established first before we react. So initially before each trend (up or down) is established, we miss some of the upside but typically “advance” our position after the buy recommendation is executed. Conversely, we also participate in some of the downside but then “protect” our capital after the sell recommendation is executed.

This Advance and Protect Strategy is a capital preservation model with an offensive strategy. Its primary directive is to control risk. The only objective is to capture growth when the market is rising and protect capital when the market is falling. We use qualitative and quantitative strategies to help achieve this goal. Qualitative strategies include a deep understanding of the fundamental trends in the economy, markets and instruments in which we invest. Quantitative strategies include a vast number of metrics which reveal entry and exit points that may not be obvious with fundamental analysis alone. This rigid buy and sell discipline is the crux and foundation of the Advance and Protect Strategy. This process automatically changes your allocation mix as the business cycle evolves.

This Advance and Protect strategy of Lof Lopez involves frequent trading of securities. The frequent trading of securities may have a positive or negative impact on investment performance due to the explanation above. Performance from active trading with Lof Lopez will not be lowered due to an increase in brokerage and other transaction costs because Lof Lopez pays all transaction cost incurred in a client account from the advisory fee it collects. So the cost to the client is fixed.

Risk of Loss

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients (including you) should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our investment management program.

- Market Risk – Either the stock market as a whole, or the value of an individual company, does down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be

exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When Lof Lopez invests in a an ETF or mutual fund, it will bear additional expenses based on its pro rata share of the ETFs or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produced the expected returns, the value of the investment will decrease.
- Margin Risk - When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from your broker/dealer. If you intend to borrow funds in connection with your account, you will be required to open a margin account, which will be carried by the broker/dealer of your account. The securities purchased in such an account are the broker/dealer's collateral for its loan to you.

If the securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and, as a result, a brokerage firm is required to take action, such as issue a margin call and/or sell securities or other assets in your accounts, in order to maintain necessary level of equity in the account.

It is important that you fully understand the risks involved in trading securities on margin, which are applicable to any margin account that you may maintain, including any Margin

Account that may be established as a part of our Investment Management Services and held by your broker/dealer. These risks include the following:

- You can lose more funds than you deposit in your margin account.
- The broker/dealer can force the sale of securities or other assets in your account.
- The broker/dealer can sell your securities or other assets without contacting you.
- You are not entitled to choose which securities or other assets in your margin account that may be liquidated or sold to meet a margin call.
- The broker/dealer may move securities held in your cash account to your margin account and pledge the transferred securities.
- The broker/dealer can increase its “house” maintenance margin requirements at any time and are not required to provide you advance written notice.
- You are not entitled to an extension of time on a margin call.

Item 9 – Disciplinary Information

On December 27, 2004, Lof Lopez’s controlling owner, Larry Lof, entered into a letter of Acceptance, Waiver & Consent (AWC) with the Financial Industry Regulatory Authority (FINRA), formerly known as the National Association of Securities Dealers (NASD). FINRA is the self-regulatory organization for registered brokerage firms. An AWC is a mechanism permitting FINRA to resolve a controversy between a member firm and/or an associated person of a member firm over a violation of any rule, regulation or statutory provision, including federal securities laws and regulations.

The NASD alleged that during the years 2000 and 2001, Mr. Lof permitted an unlicensed individual to perform functions requiring proper registrations. Specifically, Mr. Lof allowed the individual to generally solicit business for Mr. Lof’s financial services business, which included Mr. Lof’s securities business. Mr. Lof compensated the individual in a manner that was based on a percentage of the securities commissions received by Mr. Lof for transactions in accounts of the clients solicited by the individual. The individual did not recommend any specific securities to clients.

Without admitting or denying the allegations, Mr. Lof consented to the described sanction and to the entry of the findings. Subsequently, Mr. Lof was required to pay a fine of \$5,000.

Item 10 – Other Financial Industry Activities and Affiliations

Lof Lopez is an independent investment advisory firm and only provides investment advisory services. The firm is not engaged in any other business activities and offers no other services than those described in this Disclosure Brochure. Lof Lopez is **not** and does **not** have a related company that is a (1) broker/dealer, municipal securities dealer, government securities dealer or broker, (2) investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund), (3) other investment adviser or financial planner, (4) futures commission merchant, commodity pool operator, or commodity trading advisor, (5) banking or thrift institution, (6) accountant or accounting firm, (7) lawyer or law firm, (8) pension consultant, (9) real estate broker or dealer, (10) sponsor or syndicator of limited partnerships or (11) insurance company.

While Lof Lopez does not sell products or services other than investment advice, our officers and investment advisor representatives may sell other products or provide other services outside of their roles with Lof Lopez.

Relationship with Cambridge Investment Research, Inc.

As previously disclosed in this brochure, Lof Lopez's associated persons are registered representatives of Cambridge a registered broker/dealer, member FINRA and SIPC. Clients are not obligated to purchase or sell securities through Lof Lopez's associated persons in these separate capacities. However, if clients choose to implement the advice provided by Lof Lopez through them in their separate capacities as registered representatives, Cambridge will be used and commissions may be earned in addition to any fees paid for advisory services. Commissions may be higher or lower at Cambridge than at other broker/dealers. Registered representatives are restricted to only offering those products and services that have been reviewed and approved for offering to the public by Cambridge and for which Cambridge and its clearing firms, Pershing and NFS, have obtained a selling agreement.

Arrangement with Unaffiliated Investment Advisors

While Lof Lopez does not have a related person that is an investment advisor, Lof Lopez has established relationships with other investment advisors. As a result of these relationships, Lof Lopez may refer clients to these other investment advisors who will then provide asset management services to the client. When Lof Lopez solicits for these other investment advisors, Lof Lopez will receive a portion of the fee the client pays to the other advisor. This situation creates a conflict of interest. However, when referring clients to a third-party advisor the client's best interest will be the main determining factor of Lof Lopez's associated persons. Lof Lopez shall not recommend the use of an outside investment advisor unless the investment advisor is registered/notice filed or exempt from registration/notification in the client's home state.

Personnel Also Insurance Agents

While Lof Lopez does not have a related person that is an insurance company or agency, some of Lof Lopez's associated persons are independently licensed to sell insurance products through various insurance companies. When acting in this capacity, the associated persons will receive commissions for selling these products in addition to investment advisory fees charged by the Firm.

Insurance and annuities may be recommended to clients for personal, estate and business needs to minimize clients' exposure to identified risks. Although clients are under no obligation to purchase insurance or annuity products recommended by a Lof Lopez associate person, clients may purchase such products when needs arise.

Because our associated persons will receive commissions for selling insurance products, there is a conflict of interest in that they may recommend policies to clients that do not require or need insurance. To control for this conflict of interest and consistent with our Firm's fiduciary duty, our associated persons strive to recommend insurance products to only those clients that *need* new or additional policies. **You are never obligated or required to purchase insurance and/or annuity products from someone affiliated with Lof Lopez.**

Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading

Code of Ethics Summary

Lof Lopez has established a Code of Ethics that will apply to all of its associated persons. An investment advisor is considered a fiduciary according to the *Investment Advisers Act of 1940*. As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Lof Lopez has a fiduciary duty to all clients. This fiduciary duty is considered the core underlying principle for the advisor's Code of Ethics which also covers its Insider Trading and Personal Securities Transactions Policies and Procedures. Lof Lopez

requires all of its supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and when changes occur, all supervised persons will sign an acknowledgement that they have read, understand and agree to comply with the advisor's Code of Ethics. Lof Lopez has the responsibility to make sure that the interests of all clients are placed ahead of Lof Lopez's or its supervised person's own investment interest. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to any services being conducted. Lof Lopez and its supervised persons must conduct business in an honest, ethical and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients.

This section is a summary of our Code of Ethics. If you would like to view our Code of Ethics in its entirety a copy will be provided upon request.

Affiliate and Employee Personal Securities Transactions Disclosure

Lof Lopez is and shall continue to be in compliance with The Insider Trading and Securities Fraud Enforcement Act of 1988. Lof Lopez and its associated persons may buy or sell for their personal accounts, investment products identical to those recommended to clients. It is the express policy of Lof Lopez that no person employed by Lof Lopez may purchase or sell any security prior to a transaction being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts. In addition, the firm has implemented policies and procedures requiring all personnel to submit their personal securities transactions and holdings to the firm for review and monitoring purposes.

Item 12 – Brokerage Practices

This section provides information about our brokerage practices in addition to the information detailed in Item 5 – Fees and Compensation.

Cambridge Investment Research, Inc.

Clients choosing to implement Lof Lopez's advice are free to select any broker they wish and are so informed. If clients wish to have Lof Lopez's associated persons implement the advice in their capacity as registered representative or through the CMAP program, then our associated persons' broker/dealer, Cambridge, will be used. Not all investment advisors require the use of a particular broker/dealer. Some investment advisors allow their clients to pick which broker/dealer the client uses. However, in order to provide efficient services and based on the arrangement with Cambridge, Lof Lopez requires the use of Cambridge when opening an account through the firm's Asset Management Services program.

Associated persons of Lof Lopez are registered representatives of Cambridge and are required to use the services of Cambridge and Cambridge's approved clearing broker-dealers when acting in their capacity as registered representatives. Cambridge serves as the introducing broker-dealer. All accounts established through Cambridge will be cleared and held through National Financial Services, LLC or Pershing, LLC. Cambridge has a wide range of approved securities products for which Cambridge performs due diligence prior to selection. Cambridge's registered representatives are required to adhere to these products when implementing securities transactions through Cambridge. Commissions charged for these products may be higher or lower than commissions clients may be able to obtain if transactions were implemented through another broker/dealer. Because some of the associated persons of Lof Lopez are also registered representatives of Cambridge, Cambridge provides compliance and supervision support to the associated persons of Lof Lopez. In addition, Cambridge also provides the associated

persons of Lof Lopez, and therefore the Lof Lopez, with back-office operational, technology, and other administrative support.

Cambridge Equity Participation Plan

Some of Lof Lopez's associated persons have entered into an Equity Participation Plan with Cambridge. Under this arrangement, Lof Lopez's associated persons have the ability to earn a percentage of Cambridge's overall profit ratio. Lof Lopez's associated persons are not owners or officers of Cambridge. However, Lof Lopez's associated persons are eligible to participate in the Equity Participation Plan due to their affiliation as registered representatives of Cambridge. This arrangement between Lof Lopez's associated persons and Cambridge is a potential conflict of interest between Lof Lopez and its clients in that it may inhibit Lof Lopez's independent judgment concerning the best execution services offered by Cambridge.

Continuity Partners Group, LLC

Lof Lopez's controlling owner(s) are partners and have invested in Continuity Partners Group, LLC (CPG). CPG is a related company of Cambridge. CPG was formed by Cambridge primarily to provide tools and programs to certain Cambridge registered representatives, such as Lof Lopez's controlling owner(s) that are also registered representatives with Cambridge. CPG tools and programs are designed to enhance the value of partner's retail practices and to provide a source to finance the transitioning of the partner's practices. Subsequent to investing in CPG, partners are eligible to participate in the programs offered by CPG. Programs offered by CPG are designed to improve the continuity of its partners' practices and improve the long term viability of the partners' practices.

Lof Lopez's controlling owner(s) have purchased units of CPG limited liability company interests ("Units") in exchange for the assignment by Lof Lopez's controlling owner(s) of a percentage of certain intangible assets to CPG and the assignment to CPG by Lof Lopez's controlling owner(s) of a percentage of the advisory fees received by Lof Lopez.

In order to become a shareholder of CPG, Lof Lopez's controlling owner(s) has agreed to assign up to 20% of all fees earned by Lof Lopez to CPG. Fees are assigned to CPG in return for units of limited liability company interests and in some cases cash consideration from CPG.

In addition to the fee revenue assignment, the Lof Lopez's controlling owner(s) has agreed to contribute or assign a portion of its various practice related assets to CPG. Contributed assets includes CPG's right to receive a portion of the proceeds of any sale of the Lof Lopez's controlling owner(s) practice, a portion of the Lof Lopez's controlling owner(s) interest in their customer list, and other intangible assets owned by either the Lof Lopez's controlling owner(s) or assets currently held by Lof Lopez.

The arrangement between Lof Lopez's controlling owner(s) and CPG is a potential conflict of interest between Lof Lopez and its clients in that it may inhibit Lof Lopez's independent judgment concerning the best execution services offered by Cambridge.

CPG is registered as an investment advisor with the SEC. CPG is registered as an investment advisor because it acquires the goodwill associated with certain client relationships served by Cambridge registered representatives such as Lof Lopez. Correspondingly, CPG will receive a portion of advisory fees generated from such investment advisory client relationships. Advisory fees are paid directly to CPG. It should be noted that CPG does not provide retail brokerage, insurance services or investment advisory services. Clients of Lof Lopez will not enter into a direct client relationship with CPG.

CPG is also registered as a broker-dealer with FINRA and the SEC, GPG does not offer securities to or execute securities on behalf of brokerage clients. CPG is registered as a broker-dealer solely because of its proprietary ownership interest in the portion of client lists and underlying goodwill of client relationships served by Cambridge registered representatives participating in CPG, Lof Lopez's controlling owner(s), and therefore may share in the broker-dealer commissions and trails of clients served by Cambridge Registered Representatives.

Recommendation of Fidelity Investments and MG Trust Company, LLC

Lof Lopez may also recommend the use of Fidelity Investments and MG Trust Company, LLC. Decisions to recommend these companies to appropriate clients are based on benefits provided by the companies that Lof Lopez and/or its clients may find useful. These benefits include, but are not necessarily limited to, a dedicated trading platform, access to a real-time order matching system, electronic download of trades, balances and position information, duplicate and batched client statements, confirmations and year-end summaries, and the ability to have advisory fees directly debited from client accounts or paid from the custodian. Fidelity Investments has developed AdvisorChannel.com which provides Lof Lopez with internet access to view client accounts, statements, confirmation and transfer of asset status.

Best Execution

While Lof Lopez has an arrangement with (1) Cambridge, and the clearing broker/dealers that have contracted with Cambridge, (2) Fidelity Investments, and (3) MG Trust Company, LLC, at least annually, Lof Lopez will review alternative broker/dealers and custodians in the marketplace to ensure the broker/dealers and custodians currently used by Lof Lopez are meeting Lof Lopez's duty to provide best execution for client accounts. The review will include a comparison to Cambridge and the currently used custodians which involve evaluating criteria such as overall expertise, cost competitiveness and financial condition. Best execution does not simply mean the lowest transaction cost. Therefore, no single criteria will validate nor invalidate a custodian, but rather, all criteria taken together will be used in evaluating the currently utilized custodian.

Clients should understand that the receipt of research, products and services from a broker/dealer is a benefit for our firm because we do not have to produce or directly pay for services and products. We have an incentive to pick our recommended broker/dealers over other broker/dealers because of our interest in receiving services and products rather than based on our client's sole interest in receiving most favorable execution.

Block Trading Policy

When placing trades in client accounts, Lof Lopez will generally place trades on an independent (or account-by-account) basis. However, Lof Lopez may decide to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used when Lof Lopez believes such action may prove advantageous to clients including you. When Lof Lopez aggregates client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day.

When we determine to aggregate client orders for the purchase or sale of securities, including securities in which our associated persons may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* It should be noted, we never receive additional compensation or economic benefit as a result of aggregation.

Item 13 – Review of Accounts

Account Reviews and Reviewers

Managed accounts are reviewed at least weekly. The calendar is the main triggering factor, although more frequent reviews may also be triggered by changes in the client's circumstances, client request, or changes within the market. Triggering factors for changes to underlying portfolios include the relative valuation changes between asset classes, deviation from management style by fund, or fund closures. Clients will be contacted periodically by Lof Lopez to discuss the management and performance of their account and changes in their situation which may have an impact on the management of their account.

For clients contracting for separate financial planning services, such services terminate upon presentation of the financial plan. No on-going reviews are performed. However, Lof Lopez recommends clients have their financial planning needs reviewed and updated at least annually. Clients contracting with Lof Lopez for financial plan updates are required to execute a new financial planning agreement.

Larry Lof, Chris Lopez and Tom Forsythe are in charge of providing investment advice and conducting the on-going review of accounts. Messrs. Lof and Lopez are responsible for providing advice and determining final investment decisions for the majority of Lof Lopez's clients. Mr. Forsythe will provide investment advice and communicate with his clients. Depending on the arrangement between Mr. Forsythe and his client, the client's account will be managed either entirely by Mr. Forsythe or managed by Mr. Forsythe and Messrs. Lof and Lopez. When Mr. Forsythe is in charge of managing an account, Mr. Lopez is responsible for supervising the investment decisions made by Mr. Forsythe.

Statements and Reports

Lof Lopez provides written performance reports and/or position reports to the clients that have contracted with Lof Lopez for Asset Management Services. Performance reports detail the client's portfolio performance over relevant time periods. They also provide a summary of the total additions, withdrawals, capital gains, income, brokerage commissions, management and other fees during each respective period. In addition, it lists all securities currently held, their current value and cost basis, along with year-to-date capital gains, dividends, interest and management fee summaries. **You are urged to compare the reports provided by Lof Lopez against the account statements you receive directly from your account custodian.**

The custodian for the individual client's account also provides the client with an account statement at least quarterly, and depending on the account custodian, the client may be able to view the account online via the Internet. For clients whose funds are held directly with mutual fund companies, separate of the discount broker, they will receive periodic account statements directly from the fund companies.

Item 14 – Client Referrals and Other Compensation

Client Referrals

- Lof Lopez does not directly or indirectly compensate outside companies or individuals for client referrals.

Other Compensation

- Lof Lopez's associated persons, in their separate capacities as Cambridge registered representatives, may receive commissions from the execution of securities transactions. In addition, associated persons may receive 12b-1 fees from certain mutual fund companies as outlined in the fund's prospectus. 12b-1 fees come from fund assets, therefore, indirectly from client assets. The receipt of such fees could represent an incentive for the associated persons to recommend funds with 12b-1 fees over funds that have no fees or lower fees. As a result, there is a potential conflict of interest. When managing ERISA and qualified accounts, Lof Lopez will lower or offset its management fee by the amount of 12b-1 fees and other commissions received in the event such types of compensation are received by Lof Lopez's associated persons in their individual capacities as registered representatives of Cambridge.
- Lof Lopez's associated persons that are licensed as insurance agents may receive commissions and other incentive awards for the recommendation/sale of annuities and other insurance products. The receipt of this compensation may affect the judgment of Lof Lopez's associated persons when recommending products to its clients. While Lof Lopez's associated persons endeavor at all times to put the interest of the clients first as a part of Lof Lopez's fiduciary duty, clients should be aware that the receipt of commissions and additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations. Certain product sponsors may provide Lof Lopez with other economic benefits as a result of sales activities directed to them, including but not limited to, financial assistance or the sponsorship of conferences and educational sessions, marketing support, incentive awards, payment of travel expenses, tools to assist Lof Lopez in providing various services to clients such as reporting programs and portfolio analysis and direction of brokerage transactions to Lof Lopez's associated persons' broker-dealer.

Item 15 – Custody

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

Lof Lopez is deemed to have custody of client funds and securities whenever we are given the authority to have fees deducted directly from our clients' accounts. However, this is the only form of custody we will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which Lof Lopez is deemed to have custody, Lof Lopez has established procedures to ensure all client funds and securities are held at a qualified custodian (for example TD Ameritrade) in a separate account for each client under that client's name. Clients or an independent representative of the

client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from Lof Lopez. When clients have questions about their account statements, they should contact Lof Lopez or the qualified custodian preparing the statement.

Item 16 – Investment Discretion

Through its asset management services and upon receiving written authorization from a client, Lof Lopez will maintain trading authorization over client accounts. Upon receiving written authorization from the client, Lof Lopez may implement trades on a **discretionary** basis. When discretionary authority is granted, Lof Lopez will have the authority to determine the type of securities and the amount of securities that can be bought or sold for the client's portfolio without obtaining the client's consent for each transaction. However, it is the policy of Lof Lopez to consult with the client prior to making significant changes in the account even when discretionary trading authority is granted by the client.

If you decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, we will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

It should be noted that when clients retain Lof Lopez to provide Asset Management Services over **variable annuity** and **variable life insurance products**, such services are provided on a **non-discretionary** basis unless clients specifically sign Lof Lopez's advisory agreement granting Lof Lopez discretion.

All clients have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. Clients may also place reasonable limitations on the discretionary power granted to our firm so long as the limitations are specifically set forth or included as an attachment to the client agreement.

Item 17 – Voting Client Securities

Lof Lopez does not vote proxies on behalf of its clients. While there are some investment advisors that will vote proxies and other corporate decisions on behalf of their clients, Lof Lopez had determined that taking on the responsibility for voting client securities results does not add enough value to the services provided to clients to justify the additional compliance and regulatory costs associated with voting client

securities. Therefore, it is the responsibility of Lof Lopez clients to vote all proxies for securities held in accounts managed by Lof Lopez.

You will receive proxies directly from your custodian or transfer agent and such documents will not be delivered by or from Lof Lopez. While Lof Lopez does not vote client proxies, if you ever have a question about a particular proxy you can contact your advisor representative.

Item 18 – Financial Information

This item is not applicable to Lof Lopez's brochure. We never require clients to prepay more than \$500 in fees, six months or more in advance. Therefore, Lof Lopez is not required to include a balance sheet for its most recent fiscal year. Lof Lopez is not subject to a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.

Item 19 – Requirements for State-Registered Advisers

Principal Executive Officers and Management Personnel – Formal Education and Business Background

Laurence Lof

Educational Background:

- B.S., Finance from University of Arizona
- Graduate Renaissance Charitable Remainder Trust Planning School

Business Experience:

- Lof Lopez and Associates, LLC, Member/Advisor Representative (06/2007 – Present);
- Laurence E. Lof, Owner (08/1986 – 07/2007);
- Cambridge Investment Research, Inc., Registered Representative (08/2007 – Present);
- Linsco/Private Ledger, Financial Advisor (10/1997 – 07/2007)
- TransAmerica Financial Resources, Inc., Registered Representative, 05/1985-10/1997

Christopher Lopez

Educational Background:

- B.S., Exercise Physiology and Masters of Arts in Education from University of Arizona

Business Experience:

- Lof Lopez and Associates, LLC, Member/Chief Compliance Officer (06/2007 – Present);
- Laurence E. Lof, Planning Assistant (04/2000 – 07/2007);
- Cambridge Investment Research, Inc., Registered Representative (08/2007 – Present);
- Linsco/Private Ledger, Financial Advisor (04/2000 – 07/2007)

Thomas Forsythe

Educational Background:

- B.S., History, Political Science, Economics from Michigan State University

Business Experience:

- Lof Lopez and Associates, LLC, Investment Advisor Representative (07/2009 – Present);
- Cambridge Investment Research, Inc., Registered Representative (07/2009 – Present);
- ACSIA Long Term Care, Inc., Independent Insurance Agent (02/2010 – Present);
- Genworth Financial, Inc., Career Agent, Long Term Care Planning (03/2005 – Present);
- ING Financial Partners, Inc., Registered Representative, Investment Advisor Representative (01/2007 – 07/2009)
- Artisan Properties, Inc., Chief Operating Officer (05/2004 – 12/2004);
- W.C. Bradley Company, Vice President Finance (07/1996 – 03/1999);
- General Electric Company, Senior Financial Management Positions (07/1967 – 06/1996);
- U.S. Navy, Officer (03/1968 – 04/1971)

Other Business Activities

Lof Lopez is an independent investment advisory firm and only provides investment advisory services. The firm is not engaged in any other business activities and offers no other services than those described in this Disclosure Brochure. However, please refer to Item 10 of this Disclosure Brochure for details regarding the other business activities of Mr. Lof, Mr. Lopez and Mr. Forsythe as registered representatives of Cambridge and Mr. Lof and Mr. Forsythe's activities as independent insurance agents.

No Performance Based Fees

As previously disclosed in Item 6, the firm does not charge performance based fees.

Arbitrations

The firm and our management personnel have not been involved in an arbitration claim, or in a civil, self-regulatory organization, or administrative proceeding resulting in an award or otherwise being found liable.

Issuer of Securities

We do not have relationships with any issuer of securities. Please refer to Item 12 of this Disclosure Brochure for information regarding our brokerage arrangements.

CUSTOMER PRIVACY POLICY

In November of 1999, Congress enacted the Gramm-Leach-Bliley Act (GLBA). The GLBA requires certain financial institutions, such as investment advisor firms, to protect the privacy of customer information. In situations where a financial institution does disclose customer information to nonaffiliated third parties, other than permitted or required by law, customers must be given the opportunity to opt out or prevent such disclosure. Lof Lopez does not share or disclose customer information to nonaffiliated third parties except as permitted or required by law.

Lof Lopez is committed to safeguarding the confidential information of its clients. Lof Lopez holds all personal information provided by clients in the strictest confidence and it is the objective of the Lof Lopez to protect the privacy of all clients. Except as permitted or required by law, Lof Lopez does not share confidential information about clients with nonaffiliated parties. In the event that there were to be a change in this policy, Lof Lopez will provide clients with written notice and clients will be provided an opportunity to direct Lof Lopez as to whether such disclosure is permissible.

To conduct regular business, Lof Lopez may collect personal information from sources such as:

- Information reported by the client on applications or other forms the client provides to Lof Lopez;
- Information about the client's transactions implemented by others; and
- Information developed as part of financial consultations and analyses.

To provide related services for client accounts, it is necessary for the Lof Lopez to provide access to customer information within the firm and to nonaffiliated companies with whom Lof Lopez has entered into agreements with. To provide the utmost service, Lof Lopez may disclose the information below regarding customers and former customers, as necessary, to companies to perform certain services on the Lof Lopez's behalf.

- Information Lof Lopez receives from the client on applications (name, social security number, address, assets, etc.);
- Information about the client's transactions with others (account information, payment history, parties to transactions, etc.); and
- Information about a client's financial products and services transaction with the Lof Lopez.

Since Lof Lopez shares nonpublic information solely to service its client, Lof Lopez does not disclose any nonpublic personal information about the Lof Lopez's customers or former customers to anyone, except as permitted by law. However, Lof Lopez may also provide customer information outside of the firm as required by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas.

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