



## Lion Street Advisors, LLC.

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August 15, 2014

### **Wrap Fee Program Brochure**

This wrap fee program brochure provides information about the qualifications and business practices of Lion Street Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 512-776-8400. 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 Lion Street Advisors, LLC also is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

## **Item 2 – Material Changes**

This Brochure dated August 15, 2014 is an amendment filing for Lion Street Advisors, LLC to the most recent filing dated April 21, 2014 and is being filed in order to register with the States of Texas and California and Maryland as an Investment Adviser.

We will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting advisor services at 512-776-8400 or [advisorservices@lionstreet.com](mailto:advisorservices@lionstreet.com).

Additional information about Lion Street Advisors, LLC is also available via the SEC's web site [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Lion Street Advisors, LLC who are registered, or are required to be registered, as investment advisor representatives of Lion Street Advisors, LLC.

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## **Item 4 – Services, Fees and Compensation**

Lion Street Advisors, LLC (“LSA”) is located in Austin, TX and was organized in May 2013.

LSA is 100% owned by Lion Street, Inc.

LSA offers two different wrap fee programs.

As of April 30, 2014 the Firm has approximately \$50,000,000 assets under management all of which are managed on a discretionary basis.

### **Lion Street Select Program**

One of the wrap fee programs available to clients is called *Lion Street Select*, where clients pay a single fee to LSA which encompasses LSA’s money management fees, transaction costs, custody, performance measurement and administrative cost (referred to as “wrap fee” arrangements). A condition of this program is that transactions for clients’ accounts are executed by Lion Street Financial, an affiliated broker dealer through common control and ownership, or other approved broker dealers.

*Lion Street Select Program* (“Program”) provides Clients with discretionary and non-discretionary portfolio management, and/or access to multiple money managers who will provide investment advice to Client portfolios.

The Program is offered through individuals associated with LSA acting in their capacity as Investment Advisor Representatives (“IAR”). These individuals are appropriately licensed, qualified, and authorized to provide advisory services on behalf of LSA. Since transaction fees are paid from the advisory fees charged by the IAR, this creates a conflict of interest and gives those IAR’s an incentive not to place transactions in a client’s account in order to increase the IAR’s compensation. In order to alleviate this potential conflict, LSA conducts daily and periodic reviews of trading activity and general account activity and holdings to ensure consistency with client investment objectives and financial status. Fee billing is also periodically reconciled to ensure accuracy and appropriateness of overall fees paid by clients to LSA.

### **Directly Managed Accounts**

This LSA sponsored program allows Clients to work directly with an Investment Advisor Representative (IAR) of LSA for portfolio management services. Under such arrangements, the IAR, on behalf of LSA, supervises and directs the investments of and for the Client. Client *may* appoint the IAR as agent and attorney-in-fact with full power and authority on behalf of the Client to buy, sell, exchange, convert and otherwise trade in any and all stocks, listed stock options, mutual funds (load and no-load), warrants, rights, bonds, notes and such other securities as the IAR may select. This authorization does not include transactions that result in a withdrawal of assets from the Account, except for the automatic payment of fees, and is limited to purchase and

sale orders.

Client may also choose a non-discretionary arrangement, where the Client will participate in investment decisions made in the Program Account. The Client's Investment Advisory Agreement will specify whether the Client grants the IAR discretion over the Account. All transactions for Clients' Accounts are required to be executed by Lion Street Financial, an affiliate broker dealer with LSA through common control and ownership. Lion Street Financial, LLC desires to obtain best execution for Clients as possible through its clearing broker dealers, National Financial Services, LLC ("NFS") and Pershing, LLC, although there is no assurance that such execution will be obtained. Clients should consider whether or not designation of Lion Street Financial, LLC. as the sole executing broker dealer may or may not result in certain costs or disadvantages to the Client as a result of less favorable executions. We have a fiduciary obligation to seek best execution for you. In seeking best execution, the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, reputation and responsiveness. Therefore, we will seek competitive commission rates, but we may not obtain the lowest possible commission rates for account transactions.

**Nonproprietary "wrap fee programs" - TAMPS**

The Firm permits certain of its Investment Advisor Representatives to offer "non-proprietary" wrap fee programs of non-affiliated registered investment advisors. Currently, various non-proprietary wrap fee programs are made available including but not limited to, the following program sponsors

- SEI Investment Management Corporation
- Genworth Financial Wealth Management, INC
- Envestnet Asset Management, INC available through Managed Account Solutions at National Financial Services, INC.

Each non-proprietary "wrap fee program" may involve different account minimum(s), custodial, administrative and fee arrangements. The firm does not take custody of client assets that are designated to be managed by a third-party manager. The firm does not directly place securities transactions on behalf of the client. Rather, investments are made by the selected non-proprietary wrap fee provider in accordance with the agreement between the client and manager.

More information regarding a client's total annual fee and the portion received by LSA, the program sponsor and any additional third parties is provided in the relevant Form ADV Part 2A and/or Part 2A Appendix 1 (the wrap fee program brochure) of the sponsor of the wrap fee program and the applicable client agreement the client will execute with respect to the program (the "Client Agreement") and/or separate fee disclosure statement that will be provided to the client with the Client Agreement (the "Fee Disclosure").

If the Wrap Fee Disclosure brochure is not delivered to the Client at least 48 hours prior to entering into the management agreement, the Client may terminate the agreement for services within five business days of execution without penalty. After the five-day period, either party, upon 30 days written notice to the other, may terminate the management agreement. The management fee will be pro-rated for the month in which the cancellation notice was given and any unearned fees will be returned to the client.

### **The Investment Questionnaire**

All Clients participating in a Program sponsored by LSA are required to complete a Client Investment Questionnaire which enables the IAR to assist the Client in developing and clarifying his or her investment objectives. In making investment determinations with respect to the Client, the IAR will rely on Client's investment objectives as stated in the Investment Questionnaire (or otherwise stated in writing to LSA), a written policy (if any), the securities held, tax considerations, and the overall climate of the financial markets. By processing the responses provided by the Client, the IAR will present various management strategies for Client consideration. The IAR will then assist the Client in selecting the appropriate investment options.

Client agrees to inform LSA promptly in writing of any material change in Client's investment objectives or other circumstances which might affect the manner in which Client's assets should be invested and to provide IAR with such additional information as it shall reasonably request.

### **Investment Strategies**

Strategies employed by LSA may include, but are not limited to: Preservation of Capital, Income, Capital Appreciation, Trading Profits and Speculation. IAR reps are given full discretion to manage client assets without guidance from LSA. However, client accounts are periodically reviewed by LSA to ensure consistency of program strategies and performance with clients' stated objectives.

### **Program Fees**

Clients participating in the Program will pay a monthly fee, in advance. If management of the Account commences at any time other than the first day of a calendar month, the initial monthly fee is prorated based on the number of days remaining in the relevant billing period.

Please note that LSA's fee schedule is the same for the asset management program and the wrap fee program, which includes brokerages commissions. Clients should consider this when negotiating their fee with LSA. Typically, Advisers charge less for their asset management programs than their wrap fee programs since the wrap fee program does not include the additional cost of brokerage commissions.

Program fees are based on the following fee schedule:

<b>Total Account Value</b>	<b>Maximum Account Fee*</b>
First \$1,000,000	2.00%
Next \$2,000,000	2.00%
Assets Over \$3,000,000	1.75%

In addition, there is a Service Fee of 10 bps added to the maximum account fee. This fee is charged by the broker-dealer.

\*Fees may be negotiated and may vary from Client-to-Client based upon a number of factors, including but not limited to, Investment Manager(s) selected, type of account, account size, historical relationship with the Client, services to be provided, or other factors. Moreover, fees may vary as a result of the application of prior fee schedules depending upon the specific date the Client began participation in the Program.

The asset management fees include account management, administrative and execution services. The level of the fee is unaffected by the number of transactions effected for the Account. Fees are assessed on all assets in the Account, including securities, cash and money market balances. We allow the use of margin accounts, which will result in a client paying additional fees for securities bought on margin. Margin debit balances do not reduce the value of the assets in the Account. The Provider may in their sole discretion pay all or a portion of the above stated fees to other parties involved in providing service with respect to the Program Account and as permitted by law. All such shared payments will be fully disclosed to the Client.

These fees do not include mark-ups/mark-downs in principal transactions; certain odd-lot differentials; national securities exchange fees; clearing; custody; postage and handling; annual, maintenance and/or termination fees for retirement accounts or qualified plans; ACAT transfer fees; interest on debit account balances; electronic fund transfer fees; IRA and qualified plan fees; and transfer taxes and other costs or charges associated with securities transactions mandated by law. All fees and charges, including the above, may be charged to the Program Account. Client understands that LSA IAR's receive compensation for providing advisory and client-related services in connection with the Programs based on the value of the assets under their management. The Client may also incur certain charges imposed by other third-parties in connection with investments made through the Program Account, including among others the following types of charges: mutual fund 12b-1 fees, mutual fund management and administrative servicing fees, fees charged by Investment Managers, and certain deferred sales charges on previously purchased mutual funds. LSA IAR's may receive a portion of the mutual fund 12b-1 fees as part of their compensation. The 12(b)(1) fee, deferred sales charges and other fee

arrangements will be disclosed upon your request and are typically described in the applicable fund's prospectus. You should read the fund prospectus for full fee information.

This practice of accepting these mutual fund 12b-1 fees presents a conflict of interest and gives the Adviser or the Adviser's supervised persons an incentive to recommend investment products based on the compensation received, rather than on a client's needs. We require that all Investment Adviser Reps disclose this conflict of interest when such recommendations are made. We also require Investment Adviser Reps to disclose to Clients that they may purchase recommended products from other representatives not affiliated with us. Our Code of Ethics requires our investment adviser representatives do what is in the clients best interests at all times. Our CCO monitors all transactions to ensure that representatives put their clients first, not the commission they may receive. Some IARs who are also broker-dealer agents may, at their discretion, credit the clients back all or a portion of the 12b-1 fees they receive. Clients should discuss this with their advisors to determine what portion, if any, of 12b-1 fees will be refunded to the clients.

LSA, the Adviser, will rebate any 12b-1 fees they receive in Wrap fee accounts.

LSA and your IAR may serve as a solicitor for other advisers and/or program sponsors, including without limitation, SEI Investment Management Corporation, none of whom are affiliated with LSA. They may also recommend investment advisers other than LSA to manage some or all of the Client's funds. LSA receives direct and indirect compensation from these advisers as a result of Client's ultimate participation in these advisers' management. The Client pays no additional fee by reason of the payment of these fees. In accordance with regulatory requirements, LSA receives a referral fee at a negotiated rate from these firms in accordance with the terms of a written Solicitor Agreement and after execution of the program sponsors written referral fee disclosure statement by each Client in respect of such persons. LSA has no ability to negotiate their portion of the Client's fee under these types of arrangements. Typically LSA receives fees ranging from 0.75% - 1.50%. Prior to engaging a solicitor, LSA will ensure that the person or firm is properly registered to receive compensation for solicitation activities and will endeavor to ensure the solicitor complies with all relevant regulatory requirements.

Because we offer both a wrap and non-wrap option to our Clients, there is a conflict of interest as the Adviser has an incentive not to make transactions in the account where the Adviser absorbs the associated Clearing costs. Our Code of Ethics requires our investment adviser representatives do what is in the clients best interests at all times. Our CCO monitors all transactions to ensure that representatives put their clients first.

This compensation may be more than what the Client would pay if the Client participated in other programs of the IAR, programs of another IAR, or paid separately for investment advice, brokerage commissions and other services. Therefore, the IAR may have a financial incentive to

recommend this wrap-fee program over other programs or services. In order to compare the cost of Client's program with an unbundled service, Client should consider the turnover rate in the investment strategies, trading activity in the account, and standard advisory fees and brokerage commissions that would be charged at other broker dealers or investment advisors.

LSA shall never have physical custody of any Client funds or securities, as the services of an independent qualified custodian will be used for these asset management services. However, because LSA does deduct advisory management fees directly from accounts held by LSA Investments, a related affiliate of LSA, through clearing arrangements with qualified custodians, LSA is deemed to have custody of client assets under the Investment Advisors Act of 1940 ("the Advisor's Act").

### **Item 5 – Account Requirements and Types of Clients**

LSA does not have a minimum account size, however, each money manager or outside wrap fee program may impose account minimums.

The firm provides investment advisory services including asset management, portfolio monitoring, institutional consulting services and financial planning to individuals, banks, thrift institutions, trust, estates, charitable organizations, domestic and foreign corporations and other business entities.

### **Item 6 – Portfolio Manager Selection and Evaluation**

LSA determines Investment Managers eligibility to participate in the Program after a review process based on industry standards which generally includes the following: examination of investment philosophy and process; interviews with personnel and a review of trading practices and portfolio performance. All Program Managers are reviewed periodically by LSA with respect to disciplinary history, performance returns, trading practices, and consistency with implemented trading strategies. LSA retains the authority to remove any Investment Manager from the Program if the firm determines that such Manager's performance or trading practices are no longer consistent with expectations of performance or principles of fair trade. Performance history for Investment Managers is obtained from third party vendors such as Monring Star. It is not calculated by LAAS. There is no guarantee that a particular Investment Manager will be retained in the Program. Should an Investment Manager be removed from the Program, no transactions in a Client's Account managed by the removed Investment Manager will be effected until the Client selects a new Investment Manager and enters into a new investment advisory agreement or the Client personally issues instructions as to transactions in the Client's Account.

Portfolio Managers are selected in consultation with a Client based upon the Client's stated objectives, investment goals, risk tolerance, types of securities to be purchased, and investment strategy(ies) to be implemented.

In addition, LSA monitors the performance of the Program Manager on a continuing basis, and routinely evaluates new Investment Managers to participate in the Program. A Client can switch to another Investment Manager within the Program at any time by giving written notice to LSA. The Client may be required to complete a new Investment Questionnaire (or other similar document) to ensure that the newly selected Investment Manager is suitable for the Client.

In accordance with the Client Agreement associated with the Program, Lion Street Financial, an affiliated broker dealer of LSA, will serve as broker-dealer for transactions effected by an Investment Manager or IAR on behalf of a Client Account, unless we authorize the use of another broker dealer for the above mentioned transactions. Lion Street Financial may, to the extent permitted by law, act as principal or agent effecting transactions in a Client's portfolio and may serve simultaneously as agent for another of LSA customers in a transaction involving a Client's portfolio. Only the Investment Manager gives advice to wrap-fee Clients in specific types of investments. LSA delivers each prospective Investment Manager's ADV Part 2A to its Clients.

### **Methods of Analysis, Investment Strategies and Risk of Loss**

IAR reps are given full discretion to manage client assets without guidance from LSA based upon information obtained from the client, including without limitation, a client's current financial status, investment objectives/goals, and risk tolerances. IAR's will accordingly make recommendations based upon the information provided and may allocate a client's portfolio into any range of various investment products, such as mutual funds, stocks, bonds, options, exchange traded funds (EFT's) and others that are suitable based upon a client's individual needs. IAR's are charged with continuous monitoring of client portfolios to respond to a change in a client's investment objectives, risk tolerances or financial condition that may warrant a change in the strategy employed or recommendations made. Likewise, client accounts are periodically reviewed by LSA to ensure consistency of program strategies and performance with clients' stated objectives.

Each IAR employs several methods of analysis in order to formulate investment advice, including but not limited to Charting, Fundamental, Technical, Modern Portfolio Theory and Cyclical Analysis.

### **Fundamental Analysis**

Fundamental analysis is a technique that attempts to determine a security's value by focusing on the underlying factors that affect a company's actual business and its future prospects. Fundamental analysis is about using real data to evaluate a security's value. It refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.

The end goal of performing fundamental analysis is to produce a value that we can compare with the security's current price, with the aim of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short).

**Modern Portfolio Theory (MPT)**

We use Modern Portfolio Theory to help select the funds we use in your account. Modern portfolio theory tries to understand the market as a whole, rather than looking for what makes each investment opportunity unique. Investments are described statistically, in terms of their expected long-term return rate and their expected short-term volatility. The volatility is equated with "risk," measuring how much worse than average an investment's bad years are likely to be. The end goal is to identify your acceptable level of risk tolerance, and then to find a portfolio with the maximum expected return for that level of risk.

**Technical Analysis**

Technical Analysis is a technique that attempts to determine a security's value by developing models and trading rules based upon price and volume transformation. Technical analysis assumes that a market's price reflects all relevant information so the analysis focuses on the history of a security's trading behavior rather than external drivers such as economic, fundamental and news events. The practice of technical analysis incorporates the importance of understanding how market participants perceive and act upon relevant information rather than focusing on the information itself. Ultimately, technical analysts develop trading models and rules by evaluating factors such as market trends, market participant behaviors, supply and demand and pricing patterns and correlations.

We utilize technical analysis as a complement to our fundamental analysis but do not invest solely on technical analysis.

As with other types of analysis, the predictive nature of technical analysis can vary greatly; models and rules are often modified and updated as new patterns and behaviors develop. Past performance is not an indicator of future return.

**Cyclical Analysis**

While we do not attempt to time the market, we may use cyclical analysis in conjunction with other strategies to help determine if shifts are required in your investment strategies depending upon long and short-term trends in financial markets and the performance of the overall national and global economy.

We utilize economic, financial and market data from third-party sources believed to be reliable. We also rely on a variety of third-party financial applications to perform numerous financial calculations related to asset allocation, financial planning projections, and investment manager evaluations. Even though we review the quality of these services with attention to detail there can be no guarantee the calculations will be performed correctly going forward.

The IAR's may use several sources to gather information including but not limited to Financial Newspapers and Magazines, Research Materials prepared by others, Corporate rating services, Timing services Annual reports, prospectuses, filings with the SEC, Company press releases and other materials providing investment related information.

## Strategies

Strategies employed by LSA may include, but are not limited to: Preservation of Capital, Income, Capital Appreciation, Trading Profits and Speculation. Investing in securities involves risk of loss that clients should be prepared to bear. LSA does not represent or guarantee that its services and recommendations can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. Equity-based mutual funds are subject to risks similar to those of stocks, including markets risk, which is the risk that investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. International mutual funds are subject to fluctuations due to changes in a currency's exchange rate and political risk. Fixed-income mutual funds (bond funds) fluctuate with the bond market. Fixed income risks include credit risk (the risk that a company or bond issuer may fail to pay principal and interest payments in a timely manner); interest rate risk (the risk that the market value of the bonds will go down when interest rates go up; and prepayment risk (the risk that a bond will be paid off early). LSA cannot offer any guarantees or promises that a client's financial goals and objectives will be met. Past performance is in no way an indication of future performance.

The investment strategies we use to implement any investment advice given to you include, but are not limited to:

- Long term purchases - securities held at least a year
- Short term purchases - securities sold within a year
- Trading - securities sold within 30 day

## Risks

We cannot guarantee our analysis methods will yield a return. In fact, a loss of principal is always a risk. Investing in securities involves a risk of loss that you should be prepared to handle. You need to understand that investment decisions made for your account by us are subject to various market, currency, economic, political and business risks. The investment decisions we make for you will not always be profitable nor can we guarantee any level of performance.

A list of all risks associated with the strategies, products and methodology we offer are listed below:

### 1. Bond Fund Risk

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields of the risks associated with bond funds include:

- Call Risk - The possibility that falling interest rates will cause a bond issuer to redeem—or call—its high-yielding bond before the bond's maturity date.

- Credit Risk — the possibility that companies or other issuers whose bonds are owned by the fund may fail to pay their debts (including the debt owed to holders of their bonds). Credit risk is less of a factor for bond funds that invest in insured bonds or U.S. Treasury bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.
- Interest Rate Risk — the risk that the market value of the bonds will go down when interest rates go up. Because of this, you can lose money in any bond fund, including those that invest only in insured bonds or Treasury bonds.
- Prepayment Risk — the chance that a bond will be paid off early. For example, if interest rates fall, a bond issuer may decide to pay off (or "retire") its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

## 2. Fundamental Analysis Risk

Fundamental analysis, when used in isolation, has a number of risks:

- There are an infinite number of factors that can affect the earnings of a company, and its stock price, over time. These can include economic, political and social factors, in addition to the various company statistics.
- The data used may be out of date.
- It is difficult to give appropriate weightings to the factors.
- It assumes that the analyst is competent.
- It ignores the influence of random events such as oil spills, product defects being exposed, and acts of God and so on.

## 3. Technical Analysis Risk

- Technical analysis is derived from the study of market participant behavior and its efficacy is a matter of controversy.
- Methods vary greatly and can be highly subjective; different technical analysts can sometimes make contradictory predictions from the same data.
- Models and rules can incur sufficiently high transaction costs.

## 4. Insurance Product Risk

The rate of return on variable insurance products is not stable, but varies with the stock, bond and money market subaccounts that you choose as investment options. There is no guarantee that you will earn any return on your investment and there is a risk that you will lose money. Before you consider purchasing a variable product, make sure you fully understand all of its terms. Carefully read the prospectus. Some of the major risks include:

- Liquidity and Early Withdrawal Risk – There may be a surrender charges for withdrawals within a specified period, which can be as long as six to eight years. Any withdrawals before a client reaches the age of 59 ½ are generally subject to a 10 percent income tax penalty in addition to any gain being taxed as ordinary income.
- Sales and Surrender Charges – Asset-based sales charges or surrender charges. These charges normally decline and eventually are eliminated the longer you hold your shares. For example, a surrender charge could start at 7 percent in the first year and decline by 1 percent per year until it reaches zero.
- Fees and Expenses – There are a variety of fees and expenses which can reach 2% and more such as:
  - Mortality and expense risk charges
  - Administrative fees
  - Underlying fund expenses
  - Charges for any special features or riders.
- Bonus Credits – Some products offer bonus credits that can add a specified percentage to the amount invested ranging from 1 percent to 5 percent for each premium payment. Bonus credits, however, are usually not free. In order to fund them, insurance companies typically impose high mortality and expense charges and lengthy surrender charge periods.
- Guarantees – Insurance companies provide a number of specific guarantees. For example, they may guarantee a death benefit or an annuity payout option that can provide income for life. These guarantees are only as good as the insurance company that gives them.
- Market Risk – The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- Principal Risk – The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

## 5. Mutual Funds Risk

The following is a list of some general risks associated with investing in mutual funds.

- Country Risk - The possibility that political events (a war, national elections), financial problems (rising inflation, government default), or natural disasters (an earthquake, a poor harvest) will weaken a country's economy and cause investments in that country to decline.

- **Currency Risk** -The possibility that returns could be reduced for Americans investing in foreign securities because of a rise in the value of the U.S. dollar against foreign currencies. Also called exchange-rate risk.
- **Income Risk** - The possibility that a fixed-income fund's dividends will decline as a result of falling overall interest rates.
- **Industry Risk** - The possibility that a group of stocks in a single industry will decline in price due to developments in that industry.
- **Inflation Risk** - The possibility that increases in the cost of living will reduce or eliminate a fund's real inflation-adjusted returns.
- **Manager Risk** -The possibility that an actively managed mutual fund's investment adviser will fail to execute the fund's investment strategy effectively resulting in the failure of stated objectives.
- **Market Risk** -The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- **Principal Risk** -The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

## 6. Overall Risks

- Clients need to remember that past performance is no guarantee of future results. All funds carry some level of risk. You may lose some or all of the money you invest, including your principal, because the securities held by a fund goes up and down in value. Dividend or interest payments may also fluctuate, or stop completely, as market conditions change.
- Before you invest, be sure to read a fund's prospectus and shareholder reports to learn about its investment strategy and the potential risks. Funds with higher rates of return may take risks that are beyond your comfort level and are inconsistent with your financial goals.
- While past performance does not necessarily predict future returns, it can tell you how volatile (or stable) a fund has been over a period of time. Generally, the more volatile a fund, the higher the investment risk. If you'll need your money to meet a financial goal in the near-term, you probably can't afford the risk of investing in a fund with a volatile history because you will not have enough time to ride out any declines in the stock market.

## 7. Stock Fund Risk

Overall "market risk" poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons, such as the overall strength of the economy or

demand for particular products or services.

### **Proxy Voting**

As a matter of firm policy and practice, we do not have any authority to and do not vote proxies on behalf of advisory clients. You retain the responsibility for receiving and voting proxies for any and all securities maintained in your portfolios. We may provide advice to you regarding your voting of proxies, and can be contacted at phone number 512-776-8400 with questions about a particular solicitation. We are authorized to instruct the custodian to forward you copies of all proxies and shareholder communications relating to your account assets. Third-party Investment Managers chosen to manage client assets, however, may vote proxies on behalf of clients. Clients should refer to that Investment Manager's ADV for more information.

### **Performance Fees**

LSA does not charge any performance-based fees. Fees are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds, or any portion of the funds of an advisory client.

### **Item 7 – Client Information Provided to Portfolio Managers**

LSA recognizes and respects the privacy expectations of our clients. We want our clients to understand our commitment to privacy in our use of client information. As a result of our commitment, we will only distribute client information that is pertinent to the Money Manager. Generally, that information is shared through the Client Investment Questionnaire.

All Clients participating in a Program sponsored by LSA are required to complete a Client Investment Questionnaire which enables the IAR to assist the Client and/or Money Manager in developing and clarifying his or her investment objectives. In making investment determinations with respect to the Client, the IAR will rely on Client's investment objectives as stated in the Investment Questionnaire (or otherwise stated in writing to LSA), a written policy (if any), the securities held, tax considerations, and the overall climate of the financial markets. By processing the responses provided by the Client, the IAR will present various management strategies for Client consideration. The IAR will then assist the Client in selecting the appropriate investment options.

### **Item 8 – Client Contact with Portfolio Managers**

While access to an Investment Manager is not restricted specifically, it is anticipated that most Client inquiries will occur through LSA's IAR.

### **Item 9 – Additional Information**

#### **Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of LSA or the integrity of LSA's management. LSA has no information applicable to this Item.

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

LSA is 100% owned by Lion Street Inc., through a common parent, is affiliated with a broker-dealer, Lion Street Financial, LLC ("LSF"), which is in turn also co-operated by WFG Investments, Inc., a FINRA member broker-dealer via a joint venture agreement between LSF and WFG Investments, Inc. In its capacity as an introducing broker dealer, Lion Street Financial, LLC will have a fully disclosed clearing relationship with National Financial Services, LLC ("NFS"). Officers/Directors/Employees of LSA will be registered representatives/principals of LSF and therefore licensed to sell securities for separate commission compensation.

If a client chooses to implement the advisory recommendations of their IAR and then elects a program where LSF, will be the executing broker dealer or elects to execute brokerage transactions recommended through other advisory services or programs through LSF, such IAR may receive commissions as a result of such brokerage transactions exclusive of and in addition to advisory fees. However, Clients participating in wrap programs will not pay a separate commission for transactions in their account(s). In some cases, clients may pay higher commissions and transaction costs for executing transactions through LSF than through other executing broker dealers and in most cases, than through a discount broker dealer.

IARs of LSA may recommend investment advisers other than LSA to manage some or all of clients' investments. This relationship creates a conflict of interest in that LSA and the IAR will receive compensation from the other adviser and may recommend the advisers based upon the compensation they will receive and not what is in the best interest of the clients. LSA mitigates this conflict by vetting the advisers to ensure their services are appropriate for the client and that all recommendations are based upon the clients' best interests and not on the compensation the IAR might receive. LSA also researches any advisers it considers using to ensure, at minimum, the advisers are properly registered and licensed to provide investment advice. All accounts will be reviewed no less than annually to ensure that the relationships are appropriate and in the clients' best interests.

Related persons of LSA may also be licensed as agents to sell insurance related products, and may recommend insurance products and may also, as independent insurance agents, sell those recommended insurance products to Clients. When such recommendations or sales are made, a conflict of interest exists as the Insurance licensed Investment Adviser Reps earn insurance commissions for the sale of those products, which may create an incentive to recommend such products. We require that all Investment Adviser Reps disclose this conflict of interest when such recommendations are made. Also, we require Investment Adviser Reps to disclose that Clients

may purchase recommended insurance products from other insurance agents not affiliated with us. Neither LSA nor any of its associated persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of any of those entities.

**Code of Ethics, Participation or Interest in Client Transactions and Personal Training**

LSA, its officers and associated persons may personally invest in securities of the same securities as are purchased for clients and may own securities of issuers whose securities are subsequently purchased for clients. LSA has adopted a “Code of Ethics”, (the “Code”) to alleviate conflicts of interest in such situations. The Code requires that all associated persons, access persons and administrative staff of LSA place the interests of our clients first, avoid taking inappropriate advantage of their position, and conduct all personal securities transactions in compliance with the Code. A full copy of our Code is available to our Client or prospective clients upon written request.

LSA or individuals associated with the Firm may buy or sell – for their personal account(s) – investment products identical to those recommended to Clients. It is the expressed policy of LSA that no person employed by the Firm may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

As these situations may represent a conflict of interest, LSA has established the following restrictions in order to ensure its fiduciary responsibilities:

1. Associated persons or their immediate family members shall not buy or sell securities for their personal portfolio(s) where their decision is derived, in whole or in part, by reason of the associated person’s employment, unless the information is also available to the investing public on reasonable inquiry. No associated person of the Firm shall prefer his or her own interest to that of the advisory Client.
2. Records will be maintained of all securities bought or sold by the Firm and its associated persons.
3. The Firm emphasizes the unrestricted right of the client to decline to implement any advice rendered by LSA.
4. The Firm requires that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
5. Any individual not in observance of the above may be subject to termination.

It is further noted that LSA is in, and shall continue to be in, compliance with The Insider Trading and Securities Fraud Enforcement Act of 1988. Specifically, LSA has adopted a firm wide policy statement outlining insider-trading compliance by the Firm, its associated persons, and other

employees.

### **Review of Accounts**

Lion Street Select accounts are reviewed by the Branch Manager if there are transactions in the account. Additionally, Client accounts are reviewed at least quarterly by the advisory representative assigned to the account.

Client account reviews will be reviewed by the Firm's compliance staff on at least an annual basis unless an occurrence triggers a more frequent review or upon a customer's request. Reviews may also be triggered by unusual activity. The review will be conducted by the CCO or a designee, who will review account activity in concert with relevant opening account documentation to ensure that account activity is consistent with the customer's investment objectives and financial status. The review will also reconcile account documentation, including advisory agreements vs. advisory fees charged to ensure that customer accounts are being charged appropriately per the terms of their advisory agreement. The CCO or designee will document any exceptional items and follow up with the IAR and/or client when deemed necessary and appropriate as a result of such review. In connection with such reviews, the Firm may utilize a firm generated questionnaire to provide a template and uniform review process across its IAR base. Such questionnaire would be completed by the IAR based upon current discussions with the Client and signed off by both an appropriate supervisor as well as the Firm. The questionnaire would contain information including but not limited to, trading activity consistency with client stated objectives, suitability of a particular program or investment manager based upon a client's stated objectives, investment goals, and current trading history, fee suitability and reconciliation; updates on client financial status, investment objectives, and/or risk tolerance, and existence of complaints or concerns relative to the account, IAR, or Firm. Client accounts will likewise be reviewed by the CCO or her designee in connection with the opening of the account to ensure suitability of a particular program (including but not limited to wrap fee programs) for a client based upon the client's trading history or intended volume of trading if history is not known or nonexistent, stated objectives, investment goals, risk tolerance and similar factors. In the event such account reviews reflect that an advisory program may not be appropriate given a particular client's financial objectives and risk tolerance level, the client will be accordingly transitioned to a more appropriate trading program, including but not limited to a commission-based brokerage account. Additional reviews under both programs may be provided based on a significant change in the market or the program in which the Client is participating, or at the Client's request.

The custodian typically sends Clients a confirmation of every securities transaction and a quarterly brokerage statement, which reflects all transactions in the Client's account held by the custodian. LSA IARs will provide reports to Clients on at least an annual basis with the recommendation for a more frequent time frame such as quarterly as well as at the Client's request. Any account statements provided to Clients by LSA (in addition to those which are already provided by the qualified custodian) will contain legends as required pursuant to regulatory requirements under the

Advisors Act.

Reviews of financial plans are available at the client's request. Updates to the written financial plan may be provided in conjunction with the review. Such reviews and updates are subject to the firm's then current hourly rate. Please see LSA's Form ADV Part 2A for further details.

### **Reports to Clients**

The Client will receive a monthly or quarterly account statement from Client's Custodian. The Custodian with whom the Client's assets are held will promptly send confirmations of transactions executed on behalf of the Client. LSA does not assume responsibility for the accuracy of information furnished to the Client by Custodian or other companies. In addition, Clients may receive quarterly reports from the Investment Manager managing the Account.

### **Client Referrals and Other Compensation**

LSA serves as solicitor for other advisors, none of whom is affiliated with LSA. LSA receives direct and indirect compensation from these advisors as a result of Client's ultimate participation in these advisors' management. In accordance with regulatory requirements, LSA receives a referral fee at a negotiated rate from these firms in accordance with the terms of a written Solicitor Agreement and after execution of a written referral fee disclosure statement by each Client in respect of such persons. These firms may provide marketing support or services to assist its solicitors and their firms. The Client pays no additional fee by reason of the payment of these fees. LSA may also enter into agreements with and compensate solicitors to refer potential clients to LSA. Prior to engaging a solicitor, LSA will ensure that the person or firm is properly registered to receive compensation for solicitation activities and will endeavor to ensure the solicitor complies with all relevant regulatory requirements.

### **Financial Information**

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about LSA's financial condition. LSA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

## **Item 10 - Requirements for State-Registered Advisors**

Neither the Firm nor any of its management persons have any relationship with issuers of securities not already disclosed in this brochure.