

Item 1 – Cover Page

Form ADV Part 2 Brochure

September 1, 2011

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This Brochure provides information about the qualifications and business practices of Letson Investment Management, Inc., (“LIM”). If you have any questions about the contents of this Brochure, please contact us at 404-237-7794. Currently, our Brochure may be requested by contacting Scott Letson at 404-237-7794 or scott@letsoninvest.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.

LIM is a registered investment adviser, CRD # 125830. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser. Additional information about LIM also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Recently, the SEC required investment advisors such as LIM to make changes to the information and layout of their Form ADV Part 2 disclosure document. We refer to this document as the brochure. The brochure being provided to you now is the “new Brochure” containing these changes and is a materially different document from the Form ADV brochure you have received from us in the past. Because much of the additional information was not previously provided to you, we recommend that you read the new Brochure in its entirety.

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Item 4 – Advisory Business

LIM has been in business since 1987. We provide clients with investment management services consisting primarily of discretionary asset management through the use of equity and fixed income investments. We review with our clients their specific investment needs, circumstances, objectives, time horizon, expectations, past investment experience, and risk tolerance. Based upon the information and other data we obtain from our clients, we prepare and provide a written investment policy statement to the client.

We do not participate in any wrap fee programs.

We do not provide legal, tax, or accounting advice or services, and you should not assume that we are providing you such services at any time. Also, you should understand that except for government securities and bank issued certificates of deposit, the securities, money market funds and other investments in your account(s) are not guaranteed by the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board or any other governmental agency.

The Directors of LIM are James Letson and Scott Letson, who are both principal owners of the Firm. James Letson is Chairman and Chief Executive Officer. Scott Letson is Secretary and Chief Compliance Officer (CCO). The amount of client assets we manage on a discretionary basis as of September 1, 2011 is \$40,640,131 and the amount of client assets we manage on a non-discretionary basis as of September 1, 2011 is \$ 0.

Item 5 – Fees and Compensation

LIM is typically compensated for its advisory services by charging you a management fee based on the market value of your assets under management. The fee schedule is set forth below:

| Client Assets | Annual Fee (%) for all assets |
|---|--------------------------------------|
| On the first \$1,000,000 | 1.00% |
| On the next \$2,000,000 | .75% |
| On all amounts in excess of \$3,000,000 | .50% |

All fees are subject to negotiation.

The specific manner in which fees are charged by LIM is established in a client's written Investment Management Agreement (Agreement) with LIM. LIM will generally bill its fees quarterly, in advance, at the beginning of each calendar quarter. Management fees shall not be prorated for each capital contribution and withdrawal made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to rescind the Agreement without penalty within five business days after entering into the Agreement upon written notice to LIM. The client has the right to cancel the Agreement at any time upon thirty (30) days written notice.

In most cases the management fee is paid directly to LIM by the independent custodian from the client's brokerage account. In those cases:

1. The client has provided written authorization (in the Agreement) permitting the fees to be paid directly to LIM from the client's account held by the independent custodian.
2. The client is sent a bill by LIM showing the amount of the fee, the value of the client's assets on which the fee was based, and the specific manner in which it was calculated.
3. LIM discloses to the client (in the Agreement and in the quarterly billing) that it is the client's responsibility to verify the accuracy of the fee calculation and that the custodian will not determine whether the fee is properly calculated.

4. LIM sends a bill to the custodian indicating only the amount of the fee to be paid by the custodian.
5. The custodian has agreed to send the client a monthly statement indicating all amounts disbursed from the account including the amount of advisory fees paid directly to LIM.

LIM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to LIM's fee, and LIM shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that LIM considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

LIM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

Our clients include individuals, high net worth individuals, profit sharing plans, individual retirement accounts, trusts, estates, investment partnerships, and corporations. Generally, our minimum account size is \$250,000 although this may be waived based on other considerations such as the account's relationship to established clients or other factors.

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

We use several methods of investment analysis and investment strategies to provide services to our clients. Our methods of investment analysis include fundamental analysis which is the analysis of a company's financial statements, its management, competitive advantages, markets, etc. and cyclical analysis which involves the buying and selling of investments when

certain financial ratios are low or high. Our investment strategies include long term purchases (securities generally held for at least a year) and short term purchases (securities generally held for less than a year).

The securities we use in our investment strategies and investment advice include equity securities such as exchange listed securities, securities traded over the counter and foreign issues; debt securities of corporations and similar entities; certificates of deposit; municipal and government securities; investment company securities such as mutual fund shares.

Investing in the types of securities used by us in managing your assets or providing you investment advice involves the potential risk of loss in the value of the securities both in the amount invested in the securities as well as any profits which have not been realized by selling the securities. You should be prepared to bear the risk of losses. The degree of risk depends upon the type of security or strategy involved.

Item 9 – Disciplinary Information

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

Item 10 – Other Financial Industry Activities and Affiliations

This section does not apply to LIM or any of its employees.

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

Code of Ethics

LIM has adopted a Code of Ethics which describes the general standards of conduct that the Firm expects of all personnel (collectively referred to as “employees”) and focuses on three specific areas where employee conduct has the potential to adversely affect the client: Misuse of confidential information, personal securities trading, and outside business activities. Failure to uphold the Code of Ethics may result in disciplinary sanctions, including termination with the Firm. Any client or prospective client may request a copy of the Firm's Code of Ethics which will be provided at no cost.

The following basic principles guide all aspects of the Firm's business and represent the minimum requirements to which the Firm expects employees to adhere:

1. LIM acts as a fiduciary, therefore, client's interests come before employees' personal interests and before the Firm's interests.
2. The Firm must fully disclose all material facts about conflicts of which it is aware between the Firm and its employees' interests on the one hand and clients' interests on the other.
3. Employees must operate on the Firm's behalf and on their own behalf consistently with the Firm's disclosures and to manage the impacts of those conflicts.
4. The Firm and its employees must not take inappropriate advantage of their positions of trust with or responsibility to clients.
5. The Firm and its employees must always comply with all applicable securities laws.

Misuse of Nonpublic Information

The Code of Ethics contains a policy against the use of nonpublic information in conducting business for the Firm. Employees may not convey nonpublic information nor depend upon it in placing personal or client securities trades.

Personal Securities Trading

LIM personnel may own securities that LIM recommends to clients or has purchased for clients' accounts. LIM's policy allows LIM's personnel to trade in their own accounts simultaneously with or after clients. At no time may any individual affiliated with LIM trade in a manner which may be in conflict with clients.

To mitigate conflicts of interest, LIM has established the following policies:

1. An officer, director or employee of LIM shall not buy or sell securities for a personal portfolio when the decision to purchase is substantially derived, in whole or in part, by reason of employment with LIM, unless the information is also available to the investing public on reasonable inquiry. No person associated with LIM shall prefer his or her own interest to that of any client.
2. Employees must receive pre-approval from the Chief Compliance Officer to trade equities or to participate in an initial public offering or private placement.
3. Employees may trade ETFs without pre-approval if such trades are included in block trades with clients or are placed in the last trading hour of the day, which will succeed client trades.
4. Each employee must submit records of his or her personal securities trades quarterly and submit holdings of reportable securities annually to the Chief

Compliance Officer for review to ensure that the employee is in compliance with LIM's policies.

5. Infractions of LIM's trading policies may be grounds for disciplinary action, including termination.
6. Employees will not accept gifts from vendors, broker-dealers or others in a business capacity exceeding \$100 in value.

LIM employees, on occasion, attend business conferences and meetings conducted by the investment managers, custodians and third-party partners used by LIM. Employees attend these conferences solely for the purpose of knowledge enhancement and constructive learning. Firm personnel will not allow themselves to be put in a position where they "owe" vendors as a result of taking advantage of vendor hospitality. The Chief Compliance Officer will make the final determination as to what forms of entertainment and hospitality are considered excessive and are therefore unacceptable.

Outside Business Activities

Employees are required to report any outside business activities generating revenue. These activities must be approved by LIM's Chief Compliance Officer to ensure no conflict exists between these activities and the interests of LIM clients.

Item 12 – Brokerage Practices

LIM suggests that its investment management clients select brokerage services offered by Fidelity Institutional Wealth Services ("Fidelity"). Fidelity provides specific services to LIM, allowing LIM to operate effectively and efficiently in serving its clients, and offers discounted commissions to clients. Also, Fidelity provides a wide range of investments at no transaction charge to clients. Fidelity commissions charged to LIM clients are subject to negotiation, depending on the size of the account, frequency of trading and other specific circumstances. Fidelity sends clients complete custodial statements on a monthly basis and also provides web access to client accounts.

LIM has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides the Firm with "institutional platform services". These services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist LIM in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements);(ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and

other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help LIM manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom the Firm may contract directly.

LIM is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

LIM selects broker-dealers by using one or more of the following criteria: brokerage commission rates, standard profit margins on non-commission securities, product availability, execution capability and quality of research regarding specific markets and/or securities. The client may pay commissions which are higher than those obtainable from other broker-dealers in return for the value of services provided to the client or LIM by a specific broker-dealer.

In recommending broker-dealers, LIM attends to its duty to obtain best execution by considering the range and quality of the products the broker offers, the technical support the broker provides, the broker's execution capability, the commission structure, the financial stability of the broker and the responsiveness of the broker to LIM.

Research and Other Soft-Dollar Benefits

LIM currently has no formal soft-dollar arrangements, where specific products or services are paid for with soft dollars generated by individual trades LIM places in client accounts. Fidelity provides LIM with services that allow the Firm to operate more effectively, such as electronic availability of client account information and trade confirmations, and access to specialized customer service personnel. LIM receives proprietary account management and data transmission services to enable LIM to trade clients' accounts electronically. LIM enjoys increased administrative ease and, hence, profitability because of these services provided by Fidelity.

Brokerage for Client Referrals

The Firm does not receive referrals from any broker-dealer.

Order Aggregation

LIM may group trades in the same security across client accounts into a single, or “block” trade. These blocks may be executed in pieces at different prices on the same day, but all shares participating in the block are assigned the same average price per share at the end of the day. Blocks are allocated across accounts as appropriate, and LIM employees may participate in blocks with clients. In the rare event that a block order is partially filled, the shares would be allocated on a pro rata basis, with employees receiving no shares until all client orders are filled.

Trade errors can occur and are corrected by LIM as soon as possible. In the event of a loss, the client is made whole by LIM.

Item 13 – Review of Accounts

James Letson, Chief Executive Officer, or Scott Letson, Secretary and CCO, review all client accounts periodically, although the sequence and frequency of reviews may vary depending upon the particular needs or objectives of the client, or the nature of the portfolio. Additional reviews are conducted as conditions warrant. Factors triggering additional reviews may include but are not limited to:

1. Change in market conditions
2. Change in client’s financial condition or objective
3. Major news items or rapid price movement

LIM provides each client of its investment advisory service the following reports on a quarterly basis:

1. Portfolio Summary
2. Portfolio Appraisal
3. Realized Gains & Losses
4. Unrealized Gains & Losses
5. Purchase and Sale
6. Income and Expenses
7. Performance by Asset Class

Clients are reminded to compare the statements from LIM with the account statements from Fidelity, and to contact both LIM and Fidelity if there are material discrepancies. Additional reports are provided as requested.

Item 14 – Client Referrals and Other Compensation

LIM does not pay outside individuals or entities for referring clients.

Item 15 – Custody

Clients of LIM should receive monthly account statements from the Fidelity. LIM urges you to carefully review such statements and compare such official custodial records to the quarterly account statements that we provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

The Firm has full trading authority over client accounts under a limited power of attorney as described in the Client Agreement. As a result, LIM will determine both the investments, and how much of each, should be purchased or sold on each client's behalf. Clients may place restrictions on the Firm's discretion in writing. Investment guidelines and restrictions must be provided to LIM in writing.

Item 17 – Voting Client Securities

As a matter of firm policy and practice, LIM does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. LIM may provide advice to clients regarding the clients' voting of proxies.

Item 18 – Financial Information

This section does not apply to LIM as we have never filed for bankruptcy nor are we subject to any financial conditions which could impair our ability to meet our obligations to our clients.

Item 19 – Requirements for State-Registered Advisors

The management team at LIM consists of the following two persons:

James F. Letson, President, CRD # 4643471

Jim founded LIM Management in 1987. He is a CPA with over 40 years of financial and investment management experience. He has an MBA degree, with a concentration in finance, from The Wharton School, University of Pennsylvania. He also has a BS degree in Physics from The Georgia Institute of Technology.

Scott W. Letson, Vice President, CRD # 4413228

Scott joined LIM in 2002. He is a CPA with 15 years of public accounting and investment management experience. After graduating Southern Methodist University with a BBA in accounting, he obtained a Masters in Taxation degree from Georgia State University.

There are no other businesses in which the principals of LIM are actively engaged.