



LYONS INVESTMENT MANAGEMENT

**Great Northern Asset Management, Inc.
d/b/a
Lyons Investment Management**

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**FORM ADV PART 2A
BROCHURE**

This brochure provides information about the qualifications and business practices of Lyons Investment Management. If you have any questions about the contents of this brochure, contact us at 386-775-1177 or via e-mail at info@lyonsinvest.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 Lyons Investment Management is available on the SEC's website at www.adviserinfo.sec.gov. Our searchable CRD/IARD # is 166788.

Lyons Investment Management is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the filing of our last annual updating amendment, March 24, 2020, we have made the following material changes to our Brochure:

- We revised the *Methods of Analysis, Investment Strategies and Risk of Loss* section to provide additional details related to our portfolio management process and the risks associated with certain strategies. Please see Item 8 for additional information.
- We added a disclosure to the *Other Financial Industry Activities and Affiliations* section related to our affiliation with Lyons Trading Group, LLC, a CFTC registered Commodity Trading Advisor. We do not recommend futures trading to our clients. However, if a client is interested in futures trading then we will refer clients to our affiliate if appropriate for your needs. Our advisory services are separate and distinct from the compensation paid to our affiliate for their services. Please see Item 10 for additional information
- We revised the *Brokerage Practices* section to enhance our disclosures related to economic benefits we receive from our recommended broker-dealers and custodians. Please see Item 12 for additional information.

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Item 4 Advisory Business

Description of Services and Fees

Great Northern Asset Management, Inc. d/b/a Lyons Investment Management is a registered investment adviser based in Winter Park, Florida. We are organized as a corporation under the laws of the State of Minnesota. We also conduct business under the name Great Northern Capital. We have been providing investment advisory services since 1994 and under new ownership since December 2012. GNAM Acquisition Corp. is our principal owner. GNAM Acquisition Corp. is owned by Mark Zavanelli and Alexander Read.

The following paragraphs describe our services and fees. As used in this brochure, the words "we", "our", "us" and "Adviser" refer to Great Northern Asset Management, Inc. d/b/a Lyons Investment Management ("Great Northern") and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm.

Portfolio Management Services

Lyons Investment Management provides discretionary portfolio management services for separate individual and institutional accounts. Our investment advice is tailored to meet our clients' needs and investment objectives. If you retain our firm for portfolio management services, we will help you open a brokerage or custodial account in your name. Then your assets will be invested in one or more strategies which we will work with you to choose. Once your assets are invested, we will monitor the portfolio(s) on an ongoing basis and your account will be rebalanced as required by changes in market conditions and the particular strategy.

We require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the sub-advisor to be used, if any, specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm or trading authorization forms.

In most circumstances we will invest your assets according to one or more model portfolios developed by our firm. These models are designed for investors with varying degrees of risk tolerance ranging from a more aggressive investment strategy to a more conservative investment approach. We generally do not accept client restrictions on the specific securities or the types of securities that may be held in their account, however exceptions may be made on a case-by-case basis. In such cases, this may prevent a client from investing in certain models that are managed by our firm. Since our investment recommendations are based on each client's specific financial situation, investment advice regarding the same security or investment strategy may differ from client to client.

Advisory Services to Retirement Plans

We also offer discretionary portfolio management services to employee benefit plans ("Plan"). The services are designed to assist plan sponsors in meeting their management and fiduciary obligations to Participants under the Employee Retirement Income Securities Act ("ERISA"). Pursuant to adopted regulations of the U.S. Department of Labor, we are required to provide the Plan's responsible plan fiduciary (the person who has the authority to engage us as an investment adviser to the Plan) with a written statement of the services we provide to the Plan, the compensation we receive for providing those services, and our status (which is described below).

The services we provide to your Plan are described above, and in the service agreement that you have previously signed with our firm. Our compensation for these services is described below, under the *Fees and Compensation* section, and are also in the service agreement. We do not reasonably expect to receive any other compensation, direct or indirect, for the services we provide to the Plan. If we

receive any other compensation for such services, we will (i) offset the compensation against our stated fees, and (ii) we will promptly disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

Wrap Fee Programs

We are a portfolio manager of a wrap fee program sponsored and administered by Morgan Stanley Wealth Management ("MS"). We manage wrap fee accounts on a discretionary basis through Morgan Stanley Smith Barney LLC's platform. Wrap fee accounts are typically more appropriate for active accounts and are managed accordingly. If you participate in this wrap fee program, you will receive a separate Wrap Fee Program Brochure (Form ADV Part 2A Appendix 1) from MS explaining the program and costs associated with the program. You should also review this Part 2A thoroughly to evaluate any differences between our portfolio management services offered through MS's Wrap Fee Program versus the services we offer on a non-wrap basis.

Types of Investments

We primarily invest in domestic and foreign equity securities, money market funds, exchange traded funds ("ETFs") and warrants and rights when they are distributed by the equity securities that are exchange-listed or traded over-the-counter. On occasion some of client assets may be invested in foreign currencies.

Assets Under Management

As of December 31, 2020, we provide continuous management services for \$91,159,321 in client assets on a discretionary basis, and \$0 in client assets on a non-discretionary basis.

Item 5 Fees and Compensation

Portfolio Management Services

Our annual fee for portfolio management services will not exceed 1.50% of the market value of your assets under our management. Assets in each of your account(s) are included in the fee assessment unless specifically identified in writing for exclusion. Our annual portfolio management fee is billed and payable quarterly based on the balance at end of the billing period as detailed below.

The fee will be calculated as a percentage of the total account asset value in account(s) less any margin loan(s) or other account indebtedness ("Advisory Fee") on the last trading day of each calendar quarter. The initial Advisory Fee shall be pro-rated based upon the number of days from the date the account was opened through the end of the initial calendar quarter and payable in arrears. All subsequent Advisory Fees shall be payable each calendar quarter in advance. In any partial calendar quarter, the Advisory Fee will be pro-rated based upon the number of days that the account was open during the quarter. Adviser may, in its sole and absolute discretion, refund Advisory Fees paid in advance for assets withdrawn by Client during a calendar quarter period. Any refund made by Adviser to the Client would be pro-rated based on the reduction in value of the assets remaining in the Account on the date(s) the assets were withdrawn and the number of days remaining in that calendar quarter.

Subject to our discretion and review, we will combine the account values of accounts we consider to be the same customer relationship to determine the size of the overall relationship and the applicable advisory fee. For example, we will combine account values for you and your relatives, your trust or business pension plan, and other types of related accounts. Fee rates are negotiable, and generally based on the size of the existing or potential customer relationship.

We will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an

account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy. If you wish to pay fees from outside of the account, we will consider such requests on a case-by-case basis.

You may terminate the portfolio management agreement upon 30 days written notice. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the calendar quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

Please refer to the *Performance-Based Fees and Side-By-Side Management* section below for information on performance-based fee schedules for eligible clients.

Additional Fees and Expenses

While it is not anticipated that mutual funds will be included in client portfolios, money market mutual funds are typically used to "sweep" unused cash balances until they can be appropriately invested. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the *Brokerage Practices* section of this brochure.

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

We make available performance fee arrangements with certain "qualified clients" having a net worth greater than \$2,100,000 or for whom we manage at least \$1,000,000 immediately after entering into an agreement for our services. Performance-based fees are fees based on a share of capital gains or capital appreciation of a client's account. The amount of the performance based fee we charge is negotiated with each client on a case by case basis based on the fee structure below:

- Alternative fee for institutional client accounts with more than \$5 million under management immediately after entering into the advisory agreement.
- 0.60% of net Assets + 20% of excess returns over agreed upon benchmark, or
- 0.50% of net Assets + 12% of the return exceeding the agreed upon actuarial rate of the client's pension fund. Performance is calculated annually for the performance portion of the fee beginning with the first full quarter of assets under management.

We manage accounts that are charged performance-based fees while at the same time managing accounts (perhaps with similar objectives) that are not charged performance-based fees ("side-by-side management"). Performance-based fees and side-by-side management create conflicts of interest, which we have identified and described in the following paragraphs.

Performance-based fees create an incentive for our firm to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In order to address this potential conflict of interest, a senior officer of our firm periodically reviews client accounts to ensure that investments are suitable.

Performance based fees may also create an incentive for our firm to overvalue investments which lack a market quotation. In order to address such conflict, we have adopted policies and procedures that require our firm to "fairly value" any investments, which do not have a readily ascertainable value.

Side-by-side management might provide an incentive for our firm to favor accounts for which we receive a performance-based fee. For example, we may have an incentive to allocate limited investment opportunities to clients who are charged performance-based fees over clients who are charged asset based fees only. To address this conflict of interest, we have instituted policies and procedures that require our firm to allocate investment opportunities (if they are suitable) in an effort to avoid favoritism among our clients, regardless of whether the client is charged performance fees.

Item 7 Types of Clients

We provide investment advice to individuals, pension and profit sharing plans, other pooled investment vehicles such as investment clubs and family limited partnerships, charities, corporations, and other business entities.

We have the following minimum account sizes for various strategies:

Fundamental Strategies:

US Small-Cap Value - \$100,000

Global Equity - \$300,000

International Equity - \$200,000

All Asian Equity - \$200,000

All Thai Equity - \$150,000

Quantitative Strategies:

Grapes Quant - \$200,000

Volume Winners - \$200,000

Volume Value - \$200,000

Volume Momentum - \$200,000

The minimum account sizes may be waived in our sole discretion. For example, we will consider waiving the minimum if you appear to have significant potential for increasing your assets under our management.

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

Lyons Investment Management manages accounts utilizing a variety of model strategies that are divided into two primary groups: Fundamental Strategies and Quantitative Strategies. Each model strategy utilizes a specific security selection process designed to achieve the goals of that particular strategy, which vary in risk and expected return.

In certain cases, some clients' holdings may deviate from other clients' who are invested in the same strategy. For example some clients may have a higher concentration of illiquid securities or may hold different securities than other clients. Our investment advice may vary depending upon each client's specific financial situation. As such, we will work with you to evaluate our investment strategies and allocations based upon your predefined objectives, risk tolerance, time horizon, financial information, liquidity needs and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio. **It is important that you notify us immediately with respect to any material changes to your financial circumstances, including for example, a change in your current or expected income level, tax circumstances, or employment status.**

Fundamental Strategies:

- *US Small-Cap Value*
Small and midcap US value stocks
- *Global Equity*
Small and midcap value stocks worldwide
- *International Equity*
Non-US small and midcap value stocks
- *All Asian Equity*
Asian small and midcap value stocks
- *All Thai Equity*
Thai small and midcap value stocks

Lyons Investment Management's Fundamental Strategies are designed to achieve capital appreciation over time. As active managers, we seek to take risks that we believe are justified by expected returns. Our portfolios will typically be different from common benchmarks across multiple dimensions, making it likely that returns will also be different. We target portfolios that are sufficiently but not over-diversified. Our process combines a quantitative valuation model with fundamental analysis that attempts to add everything we know about how investors react to corporate developments.

Characteristics that we look for include value, defined as an inexpensive market price versus a company's income and assets, small size, and profitability. We search for these characteristics both quantitatively, using GRAPES (Growth Rate Arbitrage Price Equilibrium System), our valuation model, and qualitatively, by evaluating the specific circumstances of each company. As you would expect, the benefit from using such tools varies significantly from period to period as the economy and short term investor preferences fluctuate.

Quantitative Strategies:

Grapes Quant

Small and microcap US value stocks selected according to our GRAPES valuation model along with other screening criteria. This strategy attempts to identify cheap stocks with higher quality, defined as relatively lower levels of distress or market controversy.

Volume Winners

Microcap US stocks selected according to low volume, price momentum, and other screening criteria. The objective of this strategy is to provide superior risk adjusted returns. Despite being composed of microcaps (actually because of it, due to low institutional ownership), this strategy is intended to have lower market sensitivity or beta than common small cap benchmarks. With lower volatility, our expectation is that this strategy will lag the market during positive return periods but outperform in down periods. Actual results in any one period may not reflect these intended characteristics. The "winners" naming refers to the price momentum portion of the strategy and is not a projection of the future success of these companies.

Volume Value

Microcap US value stocks selected according to low volume, a price to earnings based value model, and other screening criteria. This strategy attempts to identify neglected stocks. Due to the composition and characteristics of the microcap stock universe, this screening tends to have a sector concentration in small banks.

Volume Momentum

Microcap US stocks selected according to our Volume Winners strategy, representing approximately 50% of the strategy, and SuperMo, a price and earnings momentum strategy, used for the other 50%. This is a combination strategy, which attempts to take advantage of the low beta properties of the Volume Winners strategy by combining it with a high volatility strategy. The objective of the combination is to provide capital appreciation. The SuperMo portion of the strategy is currently designed to have 100% turnover each quarter, resulting in higher overall trading for the strategy.

Lyons Investment Management's Quantitative Strategies are managed according to a set of data-driven selection criteria without the company-specific analysis which we perform for our fundamental strategies. This is done in order to match our research into how these criteria have performed as stock selection tools historically. Of course, such analysis is far from a guarantee that such criteria will be effective in the future. We typically rebalance the quantitative strategies at periodic intervals (most often quarterly, to align with new accounting data). This process evaluates existing holdings along with new candidates to come up with a revised portfolio. Once this is reviewed and approved, buys and sells are executed. In some periods, significant changes in the data can drive substantial portfolio turnover.

Some of our quantitative strategies have a significant weighting in micro-cap stocks, which may carry additional risks specific to that security type. First, the liquidity in the stocks which make up the strategy is inherently lower than that of other small-cap stocks, so transactions costs are proportionally higher. Secondly, micro-cap companies are not as established as larger companies and may be more susceptible to economic disruptions.

Additionally, some of our quantitative strategies will be concentrated in particular economic sectors due to the nature of our screening process.

Although our three volume based strategies are designed with an objective of reduced volatility, there are nonetheless specific risks which pertain to the strategies. First, the liquidity in the stocks which make up the strategy is inherently lower than that of other small-cap stocks, so transactions costs are proportionally higher. Secondly, micro-cap companies are not as established as larger companies and are typically more susceptible to economic disruptions.

Risks and Considerations:

Lyons Investment Management uses information from financial newspapers and magazines, corporate announcements of capital changes and other press releases, corporate rating services, timing services, annual reports, prospectuses, SEC filings, research prepared by others which would include institutional and academic databases, and proprietary databases. These proprietary databases and formulas, ("Devices,") used by Lyons Investment Management have limitations and difficulties with respect to their use. The use of these Devices does not change the possibility of loss inherent in all investment decisions.

Past performance does not guarantee future results; there is always a possibility of loss. Investing in stocks involves systematic risk with panics and economic cycles, dips, crashes, and unwelcome surprises, currency risks, geopolitical risks, correlations with acts of god and nature that apply to all investments and can result in the loss of all or part of your principal.

When evaluating risk, financial loss may be viewed differently by each client and may depend on many different risks, each of which may affect the probability and magnitude of any potential losses. The following risks are not all-inclusive, but should be considered carefully by a prospective client before retaining our services.

Margin Transactions: A securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan. If the value of the shares drops sufficiently, the investor will be required to either deposit more cash into the account or sell a portion of the stock in order to maintain the margin requirements of the account. This is known as a "margin call." An investor's overall risk includes the amount of money invested plus the amount that was loaned to them.

Short Sales: Unlike a straightforward investment in stocks where you buy shares with the expectation that their price will increase so you can sell at a profit, in a "short sale" you borrow stocks from your brokerage firm and sell them immediately, hoping to buy them later at a lower price. Thus, a short seller hopes that the price of a stock will go down in the near future. A short seller thus uses declines in the market to his advantage. The short seller makes money when the stock prices fall and loses when prices go up. The SEC has strict regulations in place regarding short selling. Short selling is very risky. Investors should exercise extreme caution before short selling is implemented. A short seller will profit if the stock goes down in price, but if the price of the shares increase, the potential losses are unlimited because the stock can keep rising forever. There is no ceiling on how much a short seller can lose in a trade. The share price may keep going up and the short seller will have to pay whatever the prevailing stock price is to buy back the shares. However, gains have a ceiling level because the stock price cannot fall below zero. A short seller has to undertake to pay the earnings on the borrowed securities as long as the short seller chooses to keep the short position open. If the company declares huge dividends or issues bonus shares, the short seller will have to pay that amount to the lender. Any such occurrence can skew the entire short investment and make it unprofitable. The broker can use the funds in the short seller's margin account to buy back the loaned shares or issue a "call away" to get the short seller to return the borrowed securities. If the broker makes this call when the stock price is much higher than the price at the time of the short sale, then the investor can end up taking huge losses. Margin interest can be a significant expense. Since short sales can only be undertaken in margin accounts, the interest payable on short trades can be substantial, especially if short positions are kept open over an extended period. Shares that are difficult to borrow - because of high short interest, limited float, or any other reason - have "hard-to-borrow" fees. These fees are based on an annualized rate that can range from a small fraction of a percent to more than 100% of the value of the short trade. The hard-to-borrow rate can fluctuate substantially on a daily basis; therefore, the exact dollar amount of the fee may not be known in advance, and may be substantial.

Risk Related to Company Size: Investment strategies that include investing in mid, small and micro capitalization companies generally involve greater risks than investment strategies investing in larger, more established companies, and possibly have a higher probability of experiencing a loss of principal in exchange for potentially higher growth. The market may value companies according to size or market capitalization rather than financial performance. As a result, if mid-cap, small-cap or micro-cap investing is out of favor, these holdings may decline in price, even though their fundamentals are sound. They are often more difficult to buy and sell, subject to greater business risks and more sensitive to market changes than larger capitalization securities. However, the pattern of their volatility may be different than those of larger stocks; and, therefore, may have diversification benefits, possibly reducing the overall portfolio volatility.

Concentration Risk and Non-Diversification Risk: A strategy is considered "non-diversified," which means that the strategy can invest a greater percentage of its assets in the securities of fewer issuers than a diversified portfolio. The strategy may also have a greater percentage of its assets invested in particular industries than a diversified portfolio, exposing the portfolio to the risk of unanticipated industry conditions, as well as risks particular to a single company or the securities of a single company. Additionally, a non-diversified portfolio generally is more volatile, and the portfolio may have

a greater risk of loss if the portfolio redeems shares during a period of high volatility. Lack of broad diversification also may cause the portfolio to be more susceptible to economic, political, regulatory, liquidity or other events than a diversified portfolio.

Liquidity Risk: The risk of being unable to sell your investment at a fair price at a given time due to high volatility or lack of active liquid markets. You may receive a lower price or it may not be possible to sell the investment at all.

Inflation and Interest Rate Risk: Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and reduces the purchasing power of a client's future interest payments and principal. Inflation also generally leads to higher interest rates which is likely to cause the value of many types of fixed income investments to decline.

Foreign Securities Risk: Investments in foreign securities involve certain risks that differ from the risks of investing in domestic securities. Adverse political, economic, social or other conditions in a foreign country may make the securities of that country difficult or impossible to sell. It is more difficult to obtain reliable information about some foreign securities. The costs of investing in some less developed foreign markets is typically higher than investing in domestic markets.

Other risks an investor should be aware of when selecting an investment strategy that invests in foreign or international securities are:

1. **Currency Risk** - the risk that the U.S. Dollar's exchange rate versus other currencies may change, thus increasing or decreasing the value of the stock once exchanged back into U.S. Dollars.
2. **Political or Sovereign Risk** - Countries outside the U.S. have different legal, economic and political structures that can affect the value of investments in those countries.
3. **Emerging Markets**: Investment strategies that invest in emerging international markets may experience additional risks beyond those listed above. Emerging markets usually have less developed legal, economic and political structures that are in the process of emerging, and, therefore, may experience additional volatility beyond that of more economically developed countries. Economies in Emerging Markets generally are heavily dependent upon international trade and, accordingly, have been, and may continue to be, affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been, and may continue to be, affected adversely by economic conditions in the countries in which they trade. Because of the special risks associated with investing in Emerging Markets, investments in such securities should be considered speculative. Investors in such strategies are advised to consider carefully the special risks of investing in emerging market securities.

The risk also exists that an emergency situation may arise in one or more developing markets, as a result of which trading of securities may cease or may be substantially curtailed and prices for an investment strategy's securities in such markets may not be readily available. Investors should note that changes in the political climate in Emerging Markets might result in significant shifts in the attitude to the taxation of foreign investors. Such changes may result in changes to legislation, the interpretation of legislation, or the granting to foreign investors the benefit of tax exemptions or international tax treaties. The effect of such changes can be retrospective and can (if they occur) have an adverse impact on the investment return of the investment strategy.

Due to the high turnover in all quantitative portfolios (up to 100% each quarter), the high turnover will result in increased commissions and other trading costs which may cause these strategies to underperform their relevant benchmarks.

All strategies may result in long term and short term gains and losses. Lyons Investment Management does not use "Trading" (securities sold within 30 days) as a strategy, but such sales may occur in unusual situations. Some account contracts may allow Short sales and Margin transactions that may be appropriate for certain Lyons Investment Management strategies.

As is the case with any investment strategy, it is recommended that you be prepared to commit to your chosen strategy for the long term. Lyons Investment Management will not approve a new managed account if it is known that an investor intends to leave after a short period of time or if we determine that an account with us is otherwise inappropriate.

Recommendation of Particular Types of Securities

We recommend various types of securities and we do not primarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with the investment. A description of the types of securities we may recommend to you and some of their inherent risks are provided below.

Stocks: There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, better established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") are but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Money Market Funds: A money market fund is technically a security. The fund managers attempt to keep the share price constant at \$1/share. However, there is no guarantee that the share price will stay at \$1/share. If the share price goes down, you can lose some or all of your principal. The U.S. Securities and Exchange Commission ("SEC") notes that "While investor losses in money market funds have been rare, they are possible." In return for this risk, you should earn a greater return on your cash than you would expect from a Federal Deposit Insurance Corporation ("FDIC") insured savings account (money market funds are not FDIC insured). Next, money market fund rates are variable. In other words, you do not know how much you will earn on your investment next month. The rate could go up or go down. If it goes up, that may result in a positive outcome. However, if it goes down and you earn less than you expected to earn, you may end up needing more cash. A final risk you are taking with money market funds has to do with inflation. Because money market funds are considered to be safer than other investments like stocks, long-term average returns on money market funds tends to be less than long term average returns on riskier investments. Over long periods of time, inflation can eat away at your returns.

Warrants: A warrant is a derivative (security that derives its price from one or more underlying assets) that confers the right, but not the obligation, to buy or sell a security - normally an equity - at a certain price before expiration. The price at which the underlying security can be bought or sold is referred to as the exercise price or strike price. Warrants that confer the right to buy a security are known as call warrants; those that confer the right to sell are known as put warrants. Warrants are in

many ways similar to options. The main difference between warrants and options is that warrants are issued and guaranteed by the issuing company, whereas options are traded on an exchange and are not issued by the company. Also, the lifetime of a warrant is often measured in years, while the lifetime of a typical option is measured in months. Warrants, like options, do not pay dividends or come with voting rights.

Exchange Traded Funds: Exchange traded funds ("ETF") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds.

ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of its underlying index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their underlying indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its underlying index, or its weighting of investment exposure to such securities may vary from that of the underlying index. Some ETFs may invest in securities or financial instruments that are not included in the underlying index, but which are expected to yield similar performance.

Tax Considerations

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional regarding the investing of your assets.

Item 9 Disciplinary Information

We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our advisory business or the integrity of our management. We do not have any required disclosures under this item.

Item 10 Other Financial Industry Activities and Affiliations

Arrangements with Affiliated Entities

We are affiliated with Lyons Wealth Management, LLC through common control and ownership. We will recommend that you use the services of our affiliates if appropriate and suitable for your needs. Our advisory services are separate and distinct from the fees paid to our affiliates for their services.

Referral arrangements with an affiliated entity present a conflict of interest for us because we may have a direct or indirect financial incentive to recommend an affiliated firm's services. While we believe that compensation charged by an affiliated firm is competitive, such compensation may be higher than

fees charged by other firms providing the same or similar services. You are under no obligation to use the services of any firm we recommend, whether affiliated or otherwise, and may obtain comparable services and/or lower fees through other firms.

Commodity Trading Advisor

We are affiliated with Lyons Trading Group, LLC through common control and ownership. Lyons Trading Group, LLC is a CFTC registered Commodity Trading Advisor that engages in the management of futures trading accounts for investors. Futures trading is speculative, volatile, involves a high degree of risk and is designed only for sophisticated investors. We do not recommend futures trading to our clients. However, if a client is interested in futures trading then we will refer clients to our affiliate if appropriate for your needs. Our advisory services are separate and distinct from the compensation paid to our affiliate for their services.

Arrangements with Related Entities

Lyons Investment Management utilizes the services of UAB "Alfa tyrimai" (referred to as "UAB") to determine the composition of model strategies and to execute transactions for client accounts. UAB is an entity located in Lithuania and is owned by Vaidas Petrauskas, Portfolio Manager for Lyons Investment Management. We have entered into an agreement with UAB whereby UAB provides us with IT services, software development services, investment research, trading and other services as agreed upon. This presents a conflict of interest for us because we may have a direct or indirect financial incentive to use the services of this related entity. While we believe the fees charged by UAB are competitive, such compensation may be higher than fees charged by other companies providing the same or similar services. We conduct due diligence on UAB, at least annually, to review the fees and services provided to ensure UAB remains the appropriate company to provide back office services to our firm.

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

Description of Our Code of Ethics

We strive to comply with applicable laws and regulations governing our business practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for persons associated with our firm. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All persons associated with our firm are expected to adhere strictly to these guidelines. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

Participation or Interest in Client Transactions

Neither our firm nor any persons associated with our firm has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

Personal Trading Practices

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

Aggregated Trading

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("aggregated trading"). Refer to the *Brokerage Practices* section in this brochure for information on our aggregated trading practices.

A conflict of interest exists in such cases when an aggregated trade is not fully executed and we have the ability to allocate shares to our personal accounts and potentially receive more favorable allocations and/or prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities in an aggregated trade.

Item 12 Brokerage Practices

We maintain relationships with several broker-dealers. While you are free to choose any broker-dealer or other service provider as your custodian, we recommend that you establish an account with a brokerage firm or custodian with which we have an existing relationship. Such relationships may include benefits provided to our firm, including but not limited to market information and administrative services that help our firm manage your account(s). We believe that the recommended broker-dealers provide quality execution services for our clients at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by recommended broker-dealers, including the value of the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of the services recommended broker-dealers provide, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

Research and Other Soft Dollar Benefits

We do not have any formal soft dollar arrangements.

Economic Benefits

As a registered investment adviser, we have access to the institutional platform of your account custodian. As such, we will also have access to research products and services from your account custodian and/or other brokerage firms. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

Brokerage for Client Referrals

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

Directed Brokerage

In limited cases and if we agree, you may direct us in writing to use a particular broker-dealer to execute some or all of the transactions for your account. If you do so, you are responsible for negotiating the terms and arrangements for the account with that broker-dealer. We may not be able to negotiate commissions, obtain volume discounts or obtain best execution. In addition, under these

circumstances a difference in commission charges may exist between the commissions charged to clients who direct us to use a particular broker or dealer and other clients who do not direct us to use a particular broker or dealer.

Aggregated Trades

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "aggregated trades" or "block trading"). We use several different aggregated trading methods, however we will always attempt to distribute the shares to participating accounts in a fair and equitable manner. We typically allocate shares on a pro-rata basis proportionate to the size of the account. However, in situations such as with thinly traded or illiquid securities, where trades will require multiple days to execute or in the event our typical method would result in a minimal allocation of shares, we may choose to execute orders based on a rotational methodology in order to avoid excess transactions and/or allocate shares fairly. Our rotational methodology includes allocating shares on either a random basis or allocating shares in terms of specific accounts current versus target weightings with accounts who are further from their target weighting receiving priority. Subject to our discretion, regarding circumstances and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in aggregated trading with your accounts; however, they will not be given preferential treatment. We do not allocate shares based on account performance or the amount or structure of management fees.

Item 13 Review of Accounts

Mark Zavanelli, President, and Vaidas Petrauskas, Portfolio Manager, monitor model strategy holdings on an ongoing basis. Mr. Zavanelli and/or Mr. Petrauskas will make changes to the model portfolios as required by changes in market conditions or in accordance with the model's strategy. Mr. Zavanelli reviews individual client account holdings and performance internally on at least a monthly basis to ensure that these are in line with the applicable model portfolios. Additional reviews may be conducted, typically arising from contributions or withdrawals or tax planning. Mr. Zavanelli offers to review accounts with clients at least annually, and more frequently if requested.

Lyons Investment Management also provides a written quarterly performance report to clients. Additional reports can be customized by client request. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

Item 14 Client Referrals and other Compensation

Client Referrals

We directly compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

Other Compensation

Please refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive from broker-dealers.

Item 15 Custody

As paying agent for our firm and upon your written authorization, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

You should compare any statements we provide to you, with the statements from your account custodian(s) to reconcile the information reflected on each statement. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. If you have a question regarding your account statement, or if you did not receive a statement from your custodian, please contact us directly at the telephone number on the cover page of this brochure.

Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement and the appropriate trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s), the broker or dealer to be used for each transaction, and over the commission rates to be paid without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Refer to the *Advisory Business* section in this Brochure for more information on our discretionary management services.

Item 17 Voting Client Securities

Clients may either authorize us to vote proxies on their behalf or retain the authority to vote proxies. In cases where clients retain the authority to vote proxies, we will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In such cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

In cases where a client has authorized us to vote proxies, we will determine how to vote proxies based on our reasonable judgment of the vote most likely to produce favorable financial results for you. Proxy votes generally will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders. Generally, proxy votes will be cast against proposals having the opposite effect. However, we will consider both sides of each proxy issue.

In the event you wish to direct our firm on voting a particular proxy, you should contact Mark Zavanelli at 386-775-1177 or info@lyonsinvest.com with your instruction.

Conflicts of interest between you and our firm, or a principal of our firm, regarding certain proxy issues could arise. If we determine that a material conflict of interest exists, we will take the necessary steps to resolve the conflict before voting the proxies. For example, we may disclose the existence and nature of the conflict to you, and seek direction from you as to how to vote on a particular issue; we may abstain from voting, particularly if there are conflicting interests for you (for example, where your account(s) hold different securities in a competitive merger situation); or, we will take other necessary steps designed to ensure that a decision to vote is in your best interest and was not the product of the conflict.

We keep certain records required by applicable law in connection with our proxy voting activities. You can obtain information on how we voted proxies and/or obtain a full copy of our proxy voting policies and procedures by making a written or oral request to our firm.

Class Action Lawsuits

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

Item 18 Financial Information

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$1,200 in fees six or more months in advance nor have we filed a bankruptcy petition at any time in the past ten years. Therefore, we are not required to include a financial statement with this brochure.

Item 19 Requirements for State-Registered Advisers

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

Item 20 Additional Information

Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.