

Item 1 – Cover Page

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Date of Disclosure Brochure: May 2014

This disclosure brochure provides information about the qualifications and business practices of The Magnolia Group, LLC (also referred to as I, me and Magnolia Group throughout this disclosure brochure). If you have any questions about the contents of this disclosure brochure, please contact Adam K. Peterson at 918-796-3158 or apeterson@the-magnolia-group.com. The information in this disclosure brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about The Magnolia Group is also available on the Internet at www.adviserinfo.sec.gov. You can view my firm's information on this website by searching for The Magnolia Group, LLC or my firm's CRD number 171102.

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

**Although The Magnolia Group is referred to as I or me throughout this brochure for your convenience, please understand that any engagement described under this brochure will be made with the legal entity of The Magnolia Group, LLC.

Item 2 – Material Changes

The Magnolia Group is a newly registered investment adviser, and this disclosure brochure dated May 2014 is the first disclosure brochure prepared by my firm. In the future, this item will discuss only specific material changes that are made to the disclosure brochure and provide readers with a summary of such changes. I will also reference the date of the last annual update of this disclosure brochure.

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

Item 3 – Table of Contents

Item 1 – Cover Page	1
Item 2 – Material Changes	2
Item 3 – Table of Contents	3
Item 4 – Advisory Business	4
Introduction	4
Description of Advisory Services	4
Private Fund Asset Management	4
Separate Account Asset Management Services	5
Limits Advice to Certain Types of Investments	6
Tailor Advisory Services to Individual Needs of Clients	7
Client Assets Managed by The Magnolia Group	7
Item 5 – Fees and Compensation	7
Separate Account Asset Management Services	8
Item 6 – Performance-Based Fees and Side-By-Side Management	10
Item 7 – Types of Clients	11
Minimum Investment Amounts Required	11
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	12
Methods of Analysis	12
Investment Strategies	12
Risk of Loss	13
Item 9 – Disciplinary Information	14
Item 10 – Other Financial Industry Activities and Affiliations	15
Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading	15
Code of Ethics Summary	15
Affiliate and Employee Personal Securities Transactions Disclosure	16
Item 12 – Brokerage Practices	16
Directed Brokerage	18
Handling Trade Errors	18
Block Trading Policy	18
Agency Cross Transactions	19
Item 13 – Review of Accounts	19
Account Reviews and Reviewers	19
Statements and Reports	19
Item 14 – Client Referrals and Other Compensation	20
Item 15 – Custody	20
Item 16 – Investment Discretion	20
Item 17 – Voting Client Securities	21
Item 18 – Financial Information	21
Business Continuity Plan	21
Customer Privacy Policy Notice	22
FORM ADV PART 2B BROCHURE SUPPLEMENT - Adam K. Peterson	23

Item 4 – Advisory Business

The Magnolia Group is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) and is a limited liability company (LLC) formed under the laws of the State of Oklahoma.

- Adam K. Peterson is the Managing Member and 100% owner of the Magnolia Group.
- The Magnolia Group filed its initial application to become registered as an investment adviser in May 2014.

Introduction

The investment advisory services of the Magnolia Group are provided to you through an appropriately licensed and qualified individual who is an investment adviser representative of the Magnolia Group (referred to as your investment adviser representative throughout this brochure).

Description of Advisory Services

The following are descriptions of the primary advisory services of the Magnolia Group. Please understand that a written agreement, which details the exact terms of the service, must be signed by you and the Magnolia Group before I can provide you the services described below.

Private Fund Asset Management

Magnolia Capital Fund, LP

As the general partner of the Magnolia Capital Fund, LP (the “Capital Fund”), Adviser provides day-to-day investment and portfolio management services pursuant to the Capital Fund's Limited Partnership Agreement (“Partnership Agreement”) and in accordance with the Capital Fund's Confidential Private Placement Memorandum (“Memorandum”). The Adviser is solely responsible for the investment decisions and performance of the Fund.

The Adviser seeks to achieve this objective by thoroughly researching business opportunities within its area of understanding, but not limiting itself to any specific asset class. The Adviser's investment strategy will be to find assets that meet its objective and to invest capital in a concentrated manner, with the most attractive opportunities receiving the largest allocation within the Partnership. The Partnership is the conversion from a private family office to a broader fund, open to additional investment partners whose investment philosophy, time horizon, and temperament fit well with the General Partner's ideals.

The Capital Fund's assets will be primarily invested in, and the Adviser will render advice primarily concerning common stocks, the Partnership is authorized to invest in any other securities, instruments, derivatives and other investments deemed appropriate by the General Partner including, without limitation, preferred stock, options on stocks and indices, warrants, bonds, debentures, convertible securities and other debt obligations, exchange traded funds, swaps, forwards, futures, indices, structured and other synthetic securities and related derivative instruments (including those relating to

equity securities, equity indices, interest rate products, fixed-income products, currencies and indices), securities of foreign issuers, and non-marketable investments. The Partnership's exposure to derivative instruments and their related risks may be significant

Magnolia Fixed Income Fund, LLC

As the general partner of the Magnolia Fixed Income Fund, LP (the "Fixed Income Fund"), the Adviser provides day-to-day investment and portfolio management services pursuant to the Fixed Income Fund's Limited Partnership Agreement ("Partnership Agreement") and in accordance with the Fixed Income Fund's Confidential Private Placement Memorandum ("Memorandum"). The Adviser is solely responsible for the investment decisions and performance of the Fixed Income Fund.

The Fixed Income Fund's assets will be primarily invested in U.S. Government, Municipal or Corporate fixed income securities. To a lesser extent, the Fixed Income Fund's assets may be invested in, and the Adviser will render advice concerning, exchange-traded funds, emerging market equities, asset-backed securities, real estate and other illiquid investments, and initial public or secondary offerings

Magnolia Real Estate Fund I, LLC

As the general partner of the Magnolia Real Estate Fund, (the "Real Estate Fund"), Adviser provides day-to-day investment and portfolio management services pursuant to the Real Estate Fund's Limited Partnership Agreement ("Partnership Agreement") and in accordance with the Real Estate Fund's Confidential Private Placement Memorandum ("Memorandum"). The Adviser is solely responsible for the investment decisions and performance of the Fund.

The Real Estate Fund's assets will be primarily invested in Real Estate, and the Adviser will render advice primarily concerning real estate. Secondly, the Adviser will render investment advice with respect to other real estate based investments.

Separate Account Asset Management Services

The Magnolia Group also offers asset management services, which involves providing continuous and ongoing supervision to the specified account of individuals, corporations, pension and profit sharing plans, trusts, estates, charitable organizations or university endowments and family offices.

You must appoint my firm as your investment adviser of record on specified accounts (collectively, the "Account"). The Account consists only of separate account(s) held by qualified custodian(s) under your name. The qualified custodians maintain physical custody of all funds and securities of the Account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account.

The Account is managed by me based on your financial situation, investment objectives and risk tolerance. I actively monitor the Account and provide advice regarding buying, selling, reinvesting or holding securities, cash or other investments of the Account.

I will need to obtain certain information from you to determine your financial situation and investment objectives. You will be responsible for notifying me of any updates regarding your financial situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment

restrictions; however I will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. I am always reasonably available to consult with you relative to the status of your Account. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct me not to purchase certain securities.

It is important that you understand that I manage investments for other clients and may give them advice or take actions for them or for my personal accounts that is different from the advice I provide to you or actions taken for you. I am not obligated to buy, sell or recommend to you any security or other investment that I may buy, sell or recommend for any other clients or for my own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that I manage. I strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by my firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to my attention will be allocated in any particular manner. If I obtain material, non-public information about a security or its issuer that I may not lawfully use or disclose, I have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

Limits Advice to Certain Types of Investments

The Magnolia Group provides investment advice on the following types of investments:

- Mutual Funds
- Exchange Traded Funds (ETFs)
- Common Stocks
- Exchange-listed Securities
- Securities Traded Over-the-Counter
- Warrants
- Corporate Debt Securities
- Commercial Paper
- Certificates of Deposit
- Municipal Securities
- US Government Securities
- Options Contracts on Securities
- Options Contracts on Commodities
- Futures Contracts on Tangibles
- Interests in Partnerships Investing in Real Estate

Although I generally provide advice only on the products previously listed, I reserve the right to offer advice on any investment product that may be suitable for each client's specific circumstances, needs, goals and objectives.

It is not my typical investment strategy to attempt to time the market, but I may increase cash holdings modestly as deemed appropriate based on your risk tolerance and our expectations of market behavior. I may modify my investment strategy to accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.)

Tailor Advisory Services to Individual Needs of Clients

The Magnolia Group's advisory services are always provided based on your individual needs. This means, for example, that when I provide asset management services, you are given the ability to impose restrictions on the accounts I manage for you, including specific investment selections and sectors. I work with you on a one-on-one basis through interviews and questionnaires to determine your investment objectives and suitability information.

I will not enter into an investment adviser relationship with a prospective client whose investment objectives may be considered incompatible with my investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

Client Assets Managed by The Magnolia Group

As a newly registered investment adviser, the Magnolia Group has no assets under management to report as of the date of this Brochure.

Item 5 – Fees and Compensation

In addition to the information provided in *Item 4 – Advisory Business*, this section provides additional details regarding my firm's services along with descriptions of each service's fees and compensation arrangements. It should be noted that lower fees for comparable service may be available from other sources. The exact fees and other terms will be outlined in the agreement between you and the Magnolia Group.

Private Fund Advisory Fees

The Private Funds will typically pay an annual management fee based on the Private Fund's total assets or capital commitments. The fee is generally .10% to 1.25% per year on the market value of the investments then held by the Private Fund. The annual fee is divided and paid quarterly, in advance. The fee will be deducted directly from the Private Fund. Each Private Fund will set forth its specific fee structure in its applicable PPM.

In addition to the annual management fee, we also receive a performance based fee as described below in Item 6 – Performance Based Fees and Side-by-Side Management.

The Private Funds will incur other expenses (in addition to the management fee described above and the performance-based fee described in Item 6 – Performance-Based and Side-by-Side Management below) from its operations and investment activities, including, without limitation, the costs of identifying and evaluating proposed investments; expenses relating to investment transactions (including expenses with respect to the acquisition, management and disposition of the investments and other temporary investments, whether or not consummated); legal, accounting, consulting, and other service provider fees; taxes, fees or other government charges levied against the Private Fund; expenses associated with the Private Fund's financial statements, tax returns and Schedules K-1; expenses of advisory committees

and annual meetings of the investors; insurance; and extraordinary expenses (such as litigation, if any). The Private Fund will also bear the organizational and certain of the offering costs of the Private Fund.

The Magnolia Group does not anticipate incurring brokerage-related trading expenses on behalf of the Private Funds.

The Magnolia Group generally does not negotiate its allocations and fees. Under special circumstances, however, the Magnolia Group may enter into agreements with certain Private Fund investors that may provide different terms to those investors. The Magnolia Group may waive or reduce its management fee and performance-based compensation for certain of its related persons, service providers, or strategic investors invested in the Private Funds. We may also reduce or eliminate the asset-based management fee and performance-based compensation for certain types of investments of the Private Funds or for certain series of the Private Funds.

Termination of Services

Our Private Fund management services will be terminated automatically in the event that a Private Fund is dissolved or terminated. In addition, services may be terminated in their entirety by the general partner (or equivalent) of a Private Fund at any time within the specified advance notice period outlined in our management agreement. In the event services are terminated, we will provide a pro-rated refund of fees charged, based on the number of days services are provided during the final calendar quarter.

Separate Account Asset Management Services

Fees charged for my asset management services are charged based on a percentage of assets under management, billed in advance (at the start of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the previous billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. If asset management services are commenced in the middle of the billing period, then the prorated fee for that billing period is based on the value of the Account when services commence and is due immediately and will be deducted from Account when services commence.

The asset management services continue in effect until terminated by either party (i.e., the Magnolia Group or you) by providing written notice of termination to the other party. Any prepaid, unearned fees will be promptly refunded by The Magnolia Group to you. Fee refunds will be determined on a pro rata basis using the number of days services are actually provided during the final period.

Fees charged for my asset management services are negotiable based on the type of client, the complexity of the client's situation, the composition of the client's account (i.e., equities versus mutual funds), the potential for additional account deposits, the relationship of the client with the investment adviser representative, and the total amount of assets under management for the client.

The annual fee for asset management services will be between 0.10% and 1.25%

The Magnolia Group believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, my annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to my compensation, you may also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses).

The investment advisory fees will be deducted from your account and paid directly to my firm by the qualified custodian(s) of your account. You will authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to my firm.

You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted.

Brokerage commissions and/or transaction ticket fees charged by the qualified custodian are billed directly to you by the qualified custodian. The Magnolia Group does not receive any portion of such commissions or fees from you or the qualified custodian. In addition, you may incur certain charges imposed by third parties other than the Magnolia Group in connection with investments made through your account including, but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by the Magnolia Group are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus.

Performance Based Fees

As the Adviser to the various Private Funds, the Magnolia Group charges performance based fees to investors who meet the definition of "qualified client". Under these arrangements, you will be charged a fee based on the assets under management within your account and in accordance with the fee schedule and parameters detailed below. As a result, the Magnolia Group has developed two basic fee schedules. The first fee schedule illustrated above is applied to non-qualified clients and the second fee schedule is applied to qualified clients.

To be considered a qualified client, the client must have at least \$1 million under management with my firm immediately after entering into an advisory contract or I must have reasonable belief that the client has a net worth of more than \$2 million at the time the investment advisory agreement is executed.

Currently the Adviser does not charge an annual fee. I will charge performance based fees in adherence with a high water mark of 6% (i.e., no performance based fee will be earned unless the Account's performance exceeds the previously achieved high water mark where performance based fees were charged). The high water mark will be used in order to prevent a scenario whereby I could receive a performance based fee merely for recouping prior losses. Any contribution of funds or securities to the Account will increase the high water mark by a corresponding amount, and any distributions of funds or securities from the Account will lower the high water mark by a corresponding amount.

In addition to the annual fee based on the value of the client's assets under management, I am compensated for my asset management services through a performance based fee. Under this arrangement, the client will be charged a fee contingent upon the performance within the client's account(s). The performance based fee will be tied to the capital appreciation (i.e. capital gains) within the account as evaluated at the end of each calendar year. The performance based fee will be payable annually, in arrears. The performance based fee will generally not exceed 20.00% of the capital appreciation attained within the client's account.

In order for my firm to receive a performance based fee, I must achieve capital appreciation within the account.

The exact fee and fee arrangements may vary or be different than that described above based on the complexity of client's situation, number of accounts managed, total assets under management and other factors specific to the client. The exact fee arrangements for each client will be specified in that client's advisory services agreement with The Magnolia Group.

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

As described above in *Item 5 – Fees and Compensation*, the Magnolia Group charges certain clients a performance fee, which is based upon a share of capital gains or capital appreciation of the assets of such client. I also provides services and am compensated on asset based fees, which are based on the total amount of assets owned by the client.

There are conflicts of interest the Magnolia Group faces by managing performance based accounts at the same time as managing asset based, non-performance based accounts. For example, the nature of a performance fee poses an opportunity for the Magnolia Group to earn more compensation than under a stand-alone asset based fee. Consequently, the Magnolia Group may favor performance fee accounts over those accounts where I receive only an asset based fee. One way the Magnolia Group may favor performance fee accounts is that I may devote more time and attention to performance fee accounts than to accounts under an asset based fee arrangement.

There are other conflicts associated with performance fees that are not as common under an asset based fee arrangement. The nature of performance fees can encourage unnecessary speculation with client assets in order to earn or increase the amount of the fee. The result of riskier investments can have a positive effect in that results could equal higher returns when compared to an asset based fee account. On the other hand, riskier investments historically have a higher chance of losing value. Also, since in a performance fee arrangement an adviser is compensated based on capital gains or capital appreciation, these arrangements could give an investment adviser an incentive to time transactions in a client's account on the basis of fee considerations rather than on what is in the best interest of the client.

Performance fees can potentially cause an investment adviser to engage in transactions or strategies which will increase the amount of the performance fees, but which may not increase the overall performance of the client's account. For example, an account may lose value during a year and no performance fee will be earned. In the following year, the Magnolia Group may receive a performance fee for simply recouping losses from the previous year. The Magnolia Group controls for this potential conflict of interest by using the high-water mark fee calculation method described in the preceding paragraph. A performance fee may also encourage the Magnolia Group to make riskier and more speculative investments. The Magnolia Group does not represent that the amount of the performance fees or the manner of calculating the performance fees is consistent with other performance related fees charged by other investment advisers under the same or similar circumstances. The performance fees charged by the Magnolia Group may be higher than the performance fees charged by other investment advisers for the same or similar services.

The Magnolia Group has established policies and procedures to address the various conflicts of interest associated with charging a performance fee:

- The Magnolia Group devotes equal time to the management of performance fee accounts and asset based fee accounts.
- Only clients that are able to assume additional risk are solicited to engage in a performance fee arrangement. The Magnolia Group provides such clients full disclosure of the additional risks associated with a performance fee arrangement.
- Client accounts eligible to be charged a performance based fee must reach a pre-determined and agreed upon high-water mark before the performance based fee is charged.

Performance based fee arrangements of the Magnolia Group will comply with Section 205(e) of the Investment Advisers Act of 1940. According to Section 205(e) (see Rule 205-3 thereunder), only natural individual clients meeting the SEC's definition of "qualified clients" may enter into agreements providing for performance based compensation to The Magnolia Group. A natural person or company must meet the following conditions to be considered a qualified client:

- Have at least \$1,000,000 under management with the Magnolia Group at the time the client enters into an agreement with the Magnolia Group; **or**
- Provide documentation to the Magnolia Group so that the Magnolia Group will reasonably believe the client has either a net worth of \$2,000,000 or is a qualified purchaser under Section 2(a)(51)(A) of the Investment Company Act.

Item 7 – Types of Clients

The Magnolia Group generally provides investment advice to the following types of clients:

- Individuals
- High net worth individuals
- Pension and profit sharing plans
- Other pooled investment companies (e.g. hedge funds)
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above
- University Endowments, Family Offices

You are required to execute a written agreement with the Magnolia Group specifying the particular advisory services in order to establish a client arrangement with The Magnolia Group.

Minimum Investment Amounts Required

There are no minimum investment amounts or conditions required for establishing an account managed by the Magnolia Group. However, all clients are required to execute an agreement for services in order to establish a client arrangement with the Magnolia Group and/or the third-party money manager or the sponsor of third-party money manager platforms.

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

Methods of Analysis

The Magnolia Group uses the following methods of analysis in formulating investment advice:

Fundamental – This is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

There are risks involved in using any analysis method.

To conduct analysis, The Magnolia Group gathers information from financial newspapers and magazines, inspection of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses and filings with the SEC, and company press releases.

Investment Strategies

The Magnolia Group uses the following investment strategies when managing client assets and/or providing investment advice:

Long term purchases. Investments held at least a year.

Margin transactions. When an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest of the purchase price from a brokerage firm. For example, an investor may buy \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from The Magnolia Group.

Option writing including cover options, uncovered options or spreading strategies. Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.

Primarily Recommend One Type of Security

I do not primarily recommend one type of security to clients. Instead, I recommend any product that may be suitable for each client relative to that client's specific circumstances and needs.

Risk of Loss

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

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

- **Market Risk** – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- **Equity (stock) market risk** – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- **Company Risk**. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- **Fixed Income Risk**. When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- **Options Risk**. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- **ETF and Mutual Fund Risk** – When investing in a an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an

ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.

- **Management Risk** – Your investment with my firm varies with the success and failure of my investment strategies, research, analysis and determination of portfolio securities. If my investment strategies do not produce the expected returns, the value of the investment will decrease.
- **Margin Risk** - When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you intended to borrow funds in connection with your Account, you will be required to open a margin account, which will be carried by the clearing firm. The securities purchased in such an account are the clearing firm's collateral for its loan to you.

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

It is important that you fully understand the risks involved in trading securities on margin, which are applicable to any margin account that you may maintain, including any margin account that may be established as part of the Asset Management Agreement established between you and The Magnolia Group and held by the account custodian or clearing firm.

These risks include the following:

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

Item 9 – Disciplinary Information

Item 9 is not applicable to this Disclosure Brochure because there are no legal or disciplinary events that are material to a client's or prospective client's evaluation of my business or integrity.

Item 10 – Other Financial Industry Activities and Affiliations

The Magnolia Group is **not** and does **not** have a related person that is a broker/dealer, municipal securities dealer, government securities dealer or broker, an investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), another investment adviser or financial planner, a futures commission merchant, commodity pool operator, or commodity trading advisor, a banking or thrift institution, an accountant or accounting firm, a lawyer or law firm, an insurance company or agency, a pension consultant, and a real estate broker or dealer.

I am an independent registered investment registered adviser and only provide investment advisory services. I am not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure. However, while I do not sell products or services other than investment advice, our representatives may sell other products or provide services outside of their role as investment adviser representatives with us.

Private Fund Management

As disclosed in Item 4, The Magnolia Group is the general partner and investment advisor of various private funds ("Funds"). The Funds were formed to allow clients of the Magnolia Group to invest in various alternative investments, which may include; securities, hedge funds, private investments, and other non-traditional investments. You are not obligated to invest in the Funds, but may be solicited based on your goals and risk tolerance.

Because of our affiliation with the Funds, we have a conflict of interest when recommending the Fund over other alternatives. One way we control for this conflict of interest is that we do not charge a separate fee for managing our individual client assets invested in the Fund. Instead, if you choose to invest in the Fund, your investment allocation in the Fund will be included in the overall management fee calculation paid to the Firm.

Other Business Activity of Company Principal

Adam K. Peterson is also a 25% owner and manager for The Aligned Group, LLC a real estate management firm located in Las Vegas, Nevada. Mr. Peterson spends less than 15% of his time on this activity.

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

Code of Ethics Summary

According to the *Investment Advisers Act of 1940*, an investment adviser is considered a fiduciary and has a fiduciary duty to all clients. The Magnolia Group has established a Code of Ethics to comply with the requirements of Section 204(A)-1 of the *Investment Advisers Act of 1940* that reflects its fiduciary obligations and those of its supervised persons. The Code of Ethics also requires compliance with federal securities laws. The Code of Ethics covers all individuals that are classified as "supervised persons". All employees, officers, directors and investment adviser representatives are classified as

supervised persons. The Magnolia Group requires its supervised persons to consistently act in your best interest in all advisory activities. The Magnolia Group imposes certain requirements on its affiliates and supervised persons to ensure that they meet the firm's fiduciary responsibilities to you. The standard of conduct required is higher than ordinarily required and encountered in commercial business.

This section is intended to provide a summary description of the Code of Ethics of The Magnolia Group. If you wish to review the Code of Ethics in its entirety, you should send me a written request and upon receipt of your request, I will promptly provide a copy of the Code of Ethics to you.

Affiliate and Employee Personal Securities Transactions Disclosure

The Magnolia Group or associated persons of the firm may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a potential conflict of interest. It is the express policy of the Magnolia Group that all persons associated in any manner with my firm must place clients' interests ahead of their own when implementing personal investments. The Magnolia Group and its associated persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with my firm unless the information is also available to the investing public upon reasonable inquiry.

I am now and will continue to be in compliance with applicable state and federal rules and regulations. To prevent conflicts of interest, I have developed written supervisory procedures that include personal investment and trading policies for my representatives, employees and their immediate family members (collectively, associated persons):

- Associated persons cannot prefer their own interests to that of the client.
- Associated persons cannot purchase or sell any security for their personal accounts prior to implementing transactions for client accounts.
- Associated persons cannot buy or sell securities for their personal accounts when those decisions are based on information obtained as a result of their employment, unless that information is also available to the investing public upon reasonable inquiry.
- Associated persons are prohibited from purchasing or selling securities of companies in which any client is deemed an "insider".
- Associated persons are discouraged from conducting frequent personal trading.
- Associated persons are generally prohibited from serving as board members of publicly traded companies unless an exception has been granted to the Chief Compliance Officer of The Magnolia Group.

Any associated person not observing our policies is subject to sanctions up to and including termination.

Item 12 – Brokerage Practices

Clients are under no obligation to act on the financial planning recommendations of the Magnolia Group. If the firm assists in the implementation of any recommendations, I am responsible to ensure that the client receives the best execution possible. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all

conditions considered, the transaction execution is in your best interest. When considering best execution, I look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with my existing systems, ease of monitoring investments)
- Products and services offered (e.g., investment programs, back office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

I exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back office services, technology and pricing of services offered.

Brokerage Recommendations

If you elect to utilize my management services you are required to establish a brokerage account at Fidelity Institutional Wealth Services (Fidelity). Fidelity provides the Magnolia Group with access to their institutional trading and custody services, which are typically not available to retail investors. The services from Fidelity include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Fidelity also makes available to the Magnolia Group other products and services that I benefit from but may not benefit your accounts. Some of these other products and services assist me in managing and administering client accounts. These include software and other technology that:

- Provide access to client account data (such as trade confirmation and account statements)
- Facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts)
- Provide research, pricing information and other market data
- Facilitate payment of our fees from client accounts
- Assist with back-office functions, recordkeeping and client reporting.

Many of these services generally may be used to service all or a substantial number of my accounts. Fidelity also makes available other services intended to help me manage and further develop our business. These services may include:

- Consulting, publications and conferences on practice management
- Information technology
- Business succession
- Regulatory compliance
- Marketing.

In addition, Fidelity may make available, arrange and/or pay for these types of services rendered to the Magnolia Group by independent third-parties providing these services to me. As a fiduciary, I endeavor to act in your best interest. My requirement that you maintain your assets in accounts at Fidelity may be based in part on the benefit to me of the availability of some of the foregoing products and services and

not solely on the nature, cost or quality of custody and brokerage services provided by Fidelity. This creates a potential conflict of interest.

You are under no obligation to act on my recommendations. You may select a broker/dealer or account custodian other than Fidelity, although in this case I cannot assist you with asset management services.

Directed Brokerage

Clients should understand that not all investment advisors require the use of a particular broker/dealer or custodian. Some investment advisors allow their clients to select whichever broker/dealer the client decides. By requiring clients to use a particular broker/dealer, the Magnolia Group may not achieve the most favorable execution of client transactions and the practice requiring the use of specific broker/dealers may cost clients more money than if the client used a different broker/dealer or custodian. However, for compliance and operational efficiencies, the Magnolia Group has decided to require my clients to use broker/dealers and other qualified custodians determined by the Magnolia Group.

Soft Dollar Benefits

An investment adviser receives soft dollar benefits from a broker-dealer when the investment adviser receives research or other products and services in exchange for client securities transactions or maintaining an account balance with the broker-dealer.

The Magnolia Group does not have a soft dollar agreement with a broker-dealer or a third-party.

Handling Trade Errors

The Magnolia Group has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of the Magnolia Group to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client is responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client is made whole and any loss resulting from the trade error is absorbed by the Magnolia Group if the error is caused by The Magnolia Group. If the error is caused by the broker-dealer, the broker-dealer is responsible for handling the trade error. If an investment gain results from the correcting trade, the gain remains in the client's account unless the same error involved other client account(s) that should also receive the gains. It is not permissible for all clients to retain the gain. The Magnolia Group may also confer with a client to determine if the client should forego the gain (e.g., due to tax reasons).

The Magnolia Group will never benefit or profit from trade errors.

Block Trading Policy

I may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by my firm when the Magnolia Group believes such action may prove advantageous to clients. If and when I

aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

The Magnolia Group uses the pro rata allocation method for transaction allocation.

Under this procedure, pro rata trade allocation means an allocation of the trade at issue among applicable advisory clients in amounts that are proportional to the participating advisory client's intended investable assets. The Magnolia Group will calculate the pro rata share of each transaction included in a block order and assigns the appropriate number of shares of each allocated transaction executed for the client's account.

If and when I determine to aggregate client orders for the purchase or sale of securities, including securities in which the Magnolia Group or our associated persons may invest, I will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither I nor our associated persons receive any additional compensation as a result of block trades.

Agency Cross Transactions

My associated persons are prohibited from engaging in agency cross transactions, meaning I cannot act as brokers for both the sale and purchase of a single security between two different clients and cannot receive compensation in the form of an agency cross commission or principal mark-up for the trades.

Item 13 – Review of Accounts

Account Reviews and Reviewers

Managed accounts are reviewed at least quarterly. While the calendar is the main triggering factor, reviews can also be conducted at your request. Account reviews will include investment strategy and objectives review and making a change if strategy and objectives have changed. Reviews are conducted by Adam K. Peterson, with reviews performed in accordance with your investment goals and objectives.

Statements and Reports

For my asset management services, you are provided with transaction confirmation notices and regular quarterly account statements directly from the qualified custodian.

You are encouraged to always compare any reports or statements provided by me, a sub-adviser or third-party money manager against the account statements delivered from the qualified custodian. When you have questions about your account statement, you should contact my firm and the qualified custodian preparing the statement.

Item 14 – Client Referrals and Other Compensation

The Magnolia Group does not directly or indirectly compensate any person for client referrals.

The only compensation received from advisory services is the fees charged for providing investment advisory services as described in *Item 5* of this Disclosure Brochure. The Magnolia Group receives no other forms of compensation in connection with providing investment advice.

Please see Item 5, Fees and Compensation, Item 10, Other Financial Industry Activities and Affiliations and Item 12, Brokerage Practices, for additional discussion concerning other compensation.

Item 15 – Custody

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

For accounts in which the Magnolia Group is deemed to have custody, I have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from the Magnolia Group. When clients have questions about their account statements, they should contact the Magnolia Group or the qualified custodian preparing the statement.

Item 16 – Investment Discretion

When providing asset management services, the Magnolia Group maintains trading authorization over your Account and can provide management services on a **discretionary** basis. When discretionary authority is granted, I will have the authority to determine the type of securities, the amount of securities that can be bought or sold and the broker or dealer to be used for your portfolio without obtaining your consent for each transaction.

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

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

Once the above factors are agreed upon, I will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your

accounts are managed on a non-discretionary basis, you need to know that if I am not able to reach you or you are slow to respond to my request, it can have an adverse impact on the timing of trade implementations and I may not achieve the optimal trading price.

You will have the ability to place reasonable restrictions on the types of investments that may be purchased in your Account. You may also place reasonable limitations on the discretionary power granted to The Magnolia Group so long as the limitations are specifically set forth or included as an attachment to the client agreement.

Item 17 – Voting Client Securities

Proxy Voting

The Magnolia Group votes proxies on behalf of all Clients.

Item 18 – Financial Information

This *Item 18* is not applicable to this brochure. The Magnolia Group does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, I am not required to include a balance sheet for the most recent fiscal year. I am not subject to a financial condition that is reasonably likely to impair my ability to meet contractual commitments to clients. Finally, The Magnolia Group has not been the subject of a bankruptcy petition at any time.

Business Continuity Plan

The Magnolia Group has a business continuity and contingency plan in place designed to respond to significant business disruptions. These disruptions can be both internal and external. Internal disruptions will impact my ability to communicate and do business, such as a fire in the office building. External disruptions will prevent the operation of the securities markets or the operations of a number of firms, such as earthquakes, wildfires, hurricanes, terrorist attack or other wide-scale, regional disruptions.

My continuity and contingency plan has been developed to safeguard employees' lives and firm property, to allow a method of making financial and operational assessments, to quickly recover and resume business operations, to protect books and records, and to allow clients to continue transacting business.

The plan includes the following:

- Alternate locations to conduct business;
- Hard and electronic back-ups of records;
- Alternative means of communications with employees, clients, critical business constituents and regulators; and
- Details on the firms' employee succession plan

My business continuity and contingency plan is reviewed and updated on a regular basis to ensure that the policies in place are sufficient and operational.

Customer Privacy Policy Notice

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

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

To conduct regular business, the Magnolia Group may collect personal information from sources such as:

- Information reported by the client on applications or other forms the client provides to the Magnolia Group
- Information about the client's transactions implemented by the Magnolia Group or others
- Information developed as part of financial plans, analyses or investment advisory services

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

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

Since the Magnolia Group shares nonpublic information solely to service client accounts, the Magnolia Group does not disclose any nonpublic personal information about 1080 Global' clients or former clients to anyone, except as permitted by law. However, the Magnolia Group may also provide client information outside of the firm as required by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas. In the event that the Magnolia Group has a change to its client privacy policy that would allow it to disclose non-public information not covered under applicable law, the Magnolia Group will allow its clients the opportunity to opt out of such disclosure.

FORM ADV PART 2B BROCHURE SUPPLEMENT - Adam K. Peterson

Item 1 – Cover Page

Adam K. Peterson
The Magnolia Group, LLC
15 East 5th Street, Suite 1601
Tulsa, OK 74103
918-796-3158

Date of Supplement: May 2014

This brochure supplement provides information about Adam K. Peterson that supplements the Magnolia Group, LLC (“The Magnolia Group”) disclosure brochure. You should have received a copy of that brochure. Please contact Adam K. Peterson at 918-796-3158 or at apeterson@the-magnolia-group.com if you did not receive The Magnolia Group’s brochure or if you have any questions about the contents of this supplement.

Additional information about Adam K. Peterson is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Educational Background and Business Experience

Adam K. Peterson

Born 1981; CRD # 5389061

Post-Secondary Educational Background:

Creighton University, Bachelor’s Degree - Finance: 2004

Business Background:

The Magnolia Group, Managing Member, 04/2014 to Present;
Nadel and Gussman Family Office, Chief Investment Officer, 06/2006 to Present
The Aligned Group, LLC, Manager/Owner, 11/2013 to Present
Kiewit Corporation, Financial Analyst, 05/2004 to 06/2006

Item 3 – Disciplinary Information

Adam K. Peterson has no legal or disciplinary events to report.

Item 4 – Other Business Activities

Please refer to Item 10 for an explanation of Mr. Peterson’s other business activities.

Item 5 – Additional Compensation

In addition to the description of additional compensation provided in Item 4, Adam K. Peterson can receive additional benefits.

Certain product sponsors may provide Adam K. Peterson with other economic benefits as a result of his recommendation or sale of the product sponsors' investments. The economic benefits received by Adam K. Peterson from product sponsors can include but are not limited to, financial assistance or the sponsorship of conferences and educational sessions, marketing support, incentive awards, payment of travel expenses, and tools to assist Adam K. Peterson in providing various services to clients.

Although The Magnolia Group and Adam K. Peterson endeavor at all times to put the interest of its clients ahead of its own or those of its officers, directors, or representatives ("affiliated persons"), these arrangements could affect the judgment of Adam K. Peterson when recommending investment products. These situations present a conflict of interest that may affect the judgment of affiliated persons including Adam K. Peterson.

Item 6 – Supervision

Adam K. Peterson is the Chief Compliance Officer of The Magnolia Group. He is responsible for overseeing and enforcing the firm's compliance programs that have been established to monitor and supervise the activities and services provided by the firm and its representatives. Adam K. Peterson can be contacted at 918-796-3158