

Item 1 – Cover Page

Part 2A of Form ADV: Firm Brochure

The Magnolia Group, LLC

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This Brochure provides information about the qualifications and business practices of The Magnolia Group, LLC. If you have any questions about the contents of this Brochure, please contact us at (918) 796-3156 or plindmark@the-magnolia-group.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 The Magnolia Group, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

The Magnolia Group, LLC is a registered investment adviser. Registration does not imply a certain level of skill or training.

Item 2 – Material Changes

The material changes made to this Brochure since the initial filing are described below:

Item 1 has been amended to update contact information.

Item 4 has been amended to reflect the current level of Assets Under Management.

Item 4, 5, 6, and 7 has been amended to reflect that the Firm no longer advises Magnolia Capital Partners, LLC.

Item 11 has been amended to reflect changes in the Firm's Code of Ethics.

Item 12 has been amended to reflect an additional custodian.

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Item 4 – Advisory Business

Introduction

The Magnolia Group, LLC (“The Magnolia Group” or the “Firm”) is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) effective June 20, 2014, with principal offices in Tulsa, Oklahoma. The Magnolia Group, LLC is privately held and is owned 100% by Adam K. Peterson, its founder and Managing Member. The Firm was established in November 2012.

Private Fund Asset Management

Affiliated Private Fund

The Magnolia Group provides investment supervisory services to one affiliated private investment fund, the Magnolia Capital Fund, LP (the “Capital Fund”). The Magnolia Group serves as the General Partner and investment adviser to the Capital Fund with sole authority to manage and control the business affairs of the Capital Fund as well as exclusive portfolio management responsibilities pursuant to the Capital Fund’s Limited Partnership Agreement (“Partnership Agreement”). The Magnolia Group manages the Capital Fund’s assets based on the specific investment objectives and restrictions of the Capital Fund as outlined in the Capital Fund’s Confidential Private Placement Memorandum (“Memorandum”), rather than on the individual needs and objectives of the individual investors in the Capital Fund.

While the Capital Fund’s assets will be primarily invested in, and The Magnolia Group will primarily render advice concerning, common stocks, the Capital Fund is authorized to invest in any other securities, instruments, derivatives, and other investments deemed appropriate by The Magnolia Group, 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, private equity, and non-marketable investments.

Investments in the Capital Fund are suitable for “Accredited Investors” as defined in Rule 501(a) of the Securities Act of 1933 and “Qualified Clients” as defined under Rule 205-3 of the Investment Advisers Act of 1940. Investors interested in the Capital Fund should refer to the Partnership Agreement and the Memorandum for important information regarding investment objectives, risks, fees, and additional disclosures for a complete understanding of the terms and conditions for investing in the Capital Fund.

Other Private Fund

The Magnolia Group provides investment supervisory services to Magnolia Real Estate Fund I, LLC (“Real Estate Fund”), an Oklahoma limited liability company managed by Ellbar Partners Management, LLC. Ellbar Partners Management, LLC is wholly owned and controlled by Ellbar Partners, LLC, an unaffiliated private single family office.

The Magnolia Group is solely responsible for the investment decisions and performance of the Real Estate Fund and provides discretionary portfolio management services in accordance with the investment guidelines set forth in their Investment Management Agreement (“IMA”). The Firm does not tailor its investment advice to the needs of investors in the Real Estate Fund.

The assets of the Real Estate Fund are primarily invested in real estate entities.

Assets Under Management

As of March 30, 2015, The Magnolia Group manages approximately \$139,898,436 of assets on a discretionary basis. The Magnolia Group does not currently manage assets on a non-discretionary basis.

Item 5 – Fees and Compensation

Compensation earned by The Magnolia Group for providing investment advisory services to its clients (each, a “Fund,” collectively, the “Funds”) is generally comprised of an asset-based management fee (the “Management Fee”), as well as, in certain circumstances, a performance-based fee.

The Capital Fund

The Capital Fund shall pay to The Magnolia Group on the first day of each fiscal quarter a Management Fee equal to 0.3125% (1.25% annualized) of the beginning net asset value of each limited partner’s capital account. In the event of termination of the advisory arrangement, any adjustments for unearned fees will be determined by the offering documents. The Firm, in its sole discretion, may elect to reduce, waive or calculate differently the Management Fee with respect to any limited partner or reallocate any of its Management Fee to any limited partner; provided, however, that no such reduction, waiver, or calculation shall increase the amount thereof to be borne by any other limited partner. The Management Fee will be deducted directly from the Capital Fund.

In addition, the Firm may be compensated through an incentive allocation that is based on the amount that the performance of the Capital Fund exceeds a certain hurdle amount subject to a high water mark. For more details on the calculation of the performance fee, please refer to the Partnership Agreement. Expenses of the Capital Fund will be shared by all of the investors and the Capital Fund shall pay, or reimburse the Firm (or its affiliates), for all organizational expenses and operating expenses.

Brokerage commissions and/or transaction ticket fees charged by the qualified custodian are billed directly to the Capital Fund by the qualified custodian. The Magnolia Group does not receive any portion of such commissions or fees from the Capital Fund or the qualified custodian. All fees paid to The Magnolia Group for investment advisory services to the Capital Fund are separate and distinct from the fees and expenses charged by third parties (including broker/custodians). These separate fees and expenses include, but are not limited to, custodial fees, administrator fees, or consultant fees, transaction fees, brokerage fees and commissions, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

The Capital Fund’s specific fee structure is set forth in the Partnership Agreement.

Private Fund

The Real Estate Fund pays to The Magnolia Group a quarterly Management Fee, in advance on or before the fifth day of each calendar quarter, which is calculated based upon a percentage of the market value of investments under management as of the last day of the previous fiscal quarter. In the event of termination of the IMA, the Firm will pro-rate the Management Fee earned and adjust accordingly. On

an annualized basis, the Management Fee will equal to 0.80%. The Management Fee will be deducted directly from the Real Estate Fund.

The Magnolia Group may receive other performance based compensation related to certain assets as outlined in the IMA between the parties. These assets are not subject to the regular management fee or the performance fee.

As stated, above the Firm manages the Real Estate Fund. In addition to other real estate investments, the Real Estate Fund invests in funds managed by The Aligned Group ("TAG") in which Mr. Peterson is a 25% owner. Accordingly, the Real Estate Fund pays certain fees, including acquisition and disposition fees, to TAG in addition to the fees it pays to the Firm.

Brokerage commissions and/or transaction ticket fees charged by the qualified custodian are billed directly to the Real Estate Fund by the qualified custodian. The Magnolia Group does not receive any portion of such commissions or fees from the Real Estate Fund or the qualified custodian. All fees paid to The Magnolia Group for investment advisory services to the Real Estate Fund are separate and distinct from the fees and expenses charged by third parties (including broker/custodians). These separate fees and expenses include but are not limited to custodial fees, sub-adviser or consultant fees, transaction fees, brokerage fees and commissions, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

For further information regarding brokerage arrangements, please refer to Item 12 – Brokerage Practices of this Brochure.

The investment advisory fees will either be deducted from the account of the Real Estate Fund and paid directly to The Magnolia Group by the qualified custodian(s) or billed to the Real Estate Fund. The Real Estate Fund will authorize the qualified custodian(s) of their account to pay such fees directly to The Magnolia Group or pay pursuant to the invoice presented.

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

As described above in Item 5 – Fees and Compensation, The Magnolia Group charges certain Funds a performance fee, which is based upon a share of capital gains or capital appreciation of the assets of such Fund. The Firm also provides services and is compensated on asset based fees, which are based on the total amount of assets in the respective Fund.

The Firm advises two Funds, the Capital Fund and the Real Estate Fund. The Capital Fund's investment strategy is based on specific investment objectives and restrictions of the Capital Fund as outlined in the Memorandum. The Real Estate Fund invests in entities that own real estate, does not have investments similar to those held by the Capital Fund, and does not pay a performance fee or carried interest to the Firm.

The nature of a performance fee poses the conflict that the Firm will devote more time to the Capital Fund, which pays a performance fee, than to the Real Estate Fund, whose fee is strictly asset based. The Firm mitigates this conflict by assessing the time requirements for managing all Fund portfolios and allocating the time necessary for each without regard to the fee structure of any particular Fund.

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 Fund 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 Fund account on the basis of fee considerations rather than on what is in the best interest of the Fund. The Firm evaluates investment opportunities that are in the best interests of investors without regard to fee arrangements.

Item 7 – Types of Clients

The Magnolia Group generally provides investment advice to pooled investment vehicles.

The original capital contribution by a limited partner in the Capital Fund will be not less than \$2,000,000, except to the extent that the Firm, in its sole discretion, permits an original capital contribution in a lesser amount. Additional capital contributions shall be in a minimum amount of \$100,000, unless otherwise so agreed.

There are no minimum investment amounts or conditions required for investors in the Real Estate Fund.

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

Methods of Analysis

The Magnolia Group is a value-oriented investment management firm whose primary objective is to achieve long-term capital appreciation. The Magnolia Group seeks to achieve this objective by investing the Funds' capital in a variety of equity securities, distressed debt securities, real estate assets, illiquid securities, private equity, and other investments at prices that provide for generous risk-adjusted returns over the long-term. The Magnolia Group attempts to limit the risk of capital loss, but all methods, strategies, and investments carry a risk of loss, including a loss of principal.

The Magnolia Group employs its value-oriented strategy through bottom-up fundamental analysis to make investment decisions. The Magnolia Group operates with an opportunistic approach when selecting investments, seeking investments with a discount to intrinsic value. The Magnolia Group invests the Funds' capital when asset prices are below The Magnolia Group's estimate of their intrinsic value. When opportunities are not available for investment, The Magnolia Group generally holds cash balances for future investments, reinvestment, or distribution to investors. These cash balances will vary from time to time and may range from a substantial portion of the Funds' accounts to no cash balance, depending on the opportunity set of investments.

To conduct analysis, The Magnolia Group gathers information from financial newspapers and magazines, inspection of corporate activities, research materials prepared by others, SEC and other regulatory filings, industry data providers, governmental statistics offices, company annual reports, and other sources. The Magnolia Group seeks to leverage the varied business experience and knowledge of the Firm's personnel to achieve this objective by marshalling contacts across industries, as well as thoroughly researching business opportunities within its areas of expertise. To estimate the intrinsic value of assets, companies,

and securities where The Magnolia Group may invest, the research process may include visiting assets, companies, competitors, and suppliers, attending industry conferences and trade shows, and other resources.

The Magnolia Group generally concentrates investments within a limited number of positions, where a position may be comprised of several securities or other investments. In addition to its core investment strategy, The Magnolia Group may employ other investment strategies deemed appropriate and may invest in and trade a variety of securities, instruments, and other investments.

Material Risks of Investment Strategies

The Magnolia Group's investment strategies involve the risk of loss of capital, and investors must be prepared to bear the loss of their entire investment. There are significant risks related to The Magnolia Group's investment strategies and objective. Material risks related to The Magnolia Group's strategies include, but are not limited to, the following:

General Investment Risk. An investment in the Funds involves a high degree of risk. There can be no assurance that the Funds will not incur losses, including permanent loss of an investor's entire capital. There are no guarantees or representations that the Funds will achieve desired investment objectives or be successful. Investors in the Funds must be prepared to assume the risks inherent in speculative investments.

The nature of the securities, other forms of financial instruments, real estate, and other assets invested in by the Funds and the investment strategies employed may increase this risk. Many unforeseeable events, including actions by various government agencies, such as the Federal Reserve Board, domestic and international economic and political developments, terrorist attacks, or other events may cause sharp market fluctuations. Such events could adversely affect the Funds.

Concentration of Investments. A substantial portion of investments in the Funds may be concentrated in a limited number of securities, industries, countries, financial instruments, regional geographies, or asset classes. Accordingly, investments made within the Funds may involve an increased level of price volatility risk. In addition, after a price decline in a security, the Funds may be unable to liquidate a position quickly or at a relatively advantageous price, this risk would be increased in concentrated positions. Furthermore, investment strategies of the Funds anticipate investing primarily in a limited number of types of securities. Any such concentration can increase significantly both investment risk and portfolio volatility. An investment in any Fund should not be regarded as a complete investment program and should be considered solely by investors prepared to experience possible short-term volatility and fluctuations in value. There can be no assurance that a Fund's investment strategy will be effective in protecting the Fund from such price volatility.

Limitations as to Investment Approach. As the investments of the Funds will mainly be net-long equity market exposure at any time over a market cycle, returns earned will depend to an extent on the direction of the broad equity market. The success of the Funds' investment activities will depend on The Magnolia Group's ability to identify undervalued investment opportunities. Because such identification and exploitation involves uncertainty, no assurance can be given that The Magnolia Group will be able to correctly identify and capitalize on investment opportunities. The Funds may also be adversely affected by unforeseen events involving such matters as changes in market liquidity, interest rates, the credit status of an issuer, forced redemptions of securities, or acquisition proposals.

Dependence Upon Individual Judgment and Skill. The Funds will rely primarily upon The Magnolia Group's own analysis. As a result, selection of investments within the Funds may be expected to involve subjective factors and judgment on the part of the Managing Member and any other personnel. Accordingly, success of the Funds is dependent to a large extent on the investment skills and judgment of the Managing Member. There can be no assurance that The Magnolia Group will successfully identify investments that fulfill the investment objective of the Funds or that such investments will not cause the Funds to experience losses.

Accuracy of Public Information. The Magnolia Group selects investments for the Funds primarily on information and data filed by issuers with various government regulators. Although the Firm reviews this information, it is not in a position to confirm the completeness or accuracy of such information and data. Furthermore, in some cases, complete and accurate information is not available. Additionally, if the Firm receives erroneous information, or if companies report information that proves to be misleading or fraudulent, the basis for our analysis of individual companies may be based on such inaccurate information.

Illiquid Investments. For certain investments made on behalf of the Funds, there may be little or no public market, and such investments will be subject to legal or other transfer restrictions. Additionally, the Funds may acquire securities that have limited liquidity due to trading volume or other factors. Accordingly, the Firm may not be able to sell the Funds' investments as desired.

Material Nonpublic Information. From time to time, The Magnolia Group may come into possession of material, nonpublic information that would limit its ability to buy and sell investments on behalf of the Funds. Investment flexibility in the Funds may be constrained as a consequence of the Firm's inability to take certain actions because of such information. The Funds may experience losses if it is unable to sell an investment held as a result of obtaining nonpublic information about such an investment.

Leverage and Financing Risk. The Funds may borrow funds, use lines of credit, and use other forms of leverage, such as swaps and repurchase agreements ("repos"). Leverage may have the effect of potentially increasing losses of the Funds. The cumulative effect of the use of leverage by the Funds in a market that moves adversely to the Funds' investments could result in a loss to the Funds, which would be greater than if these Funds were not leveraged. In addition, to the extent that the Funds borrow funds, the interest cost at which the Funds can borrow will affect the operating results of the Funds. The use of leverage may result in certain investors in the Funds, such as tax-exempt organizations, employee benefit plans, and individual retirement accounts, recognizing "unrelated business taxable income" for federal income tax purposes.

Limitations on Hedging Strategies. The Funds may employ certain hedging techniques in connection with the Firm's overall investment strategy. However, there is no requirement that the Firm hedges positions in all or any of the Funds it advises. Moreover, such strategies, if employed, will be intended to hedge against certain risks, often general market risk, such as a price decline in the overall equity markets, but will not hedge against other risks, such as opportunistic investment risk, issuer risk, industry risk, sector risk, or catastrophic risk, any of which could be significant. The costs of hedging may reduce the profitability of the position sought to be hedged. There is no assurance that the intended hedging strategies can necessarily be implemented or, if established, will necessarily succeed in eliminating the intended risk.

Lack of Liquidity for Units. Interests in the Funds will not be listed for trading on any exchange.

Performance Based Compensation. The Capital Fund maintains a performance based profit allocation. A performance based profit allocation may create an incentive for The Magnolia Group to make speculative or riskier investments than would be the case should a performance based profit compensation not exist.

Material Risks of Securities Used in Investment Strategies

The Funds have broad investment mandates, and the risks related to securities, assets, or financial instruments used to implement this strategy listed below are not intended to be a complete description of the risks associated with The Magnolia Group's investment strategies.

Equity Securities. The Funds may invest in equity and equity derivative securities. The value of these securities generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Funds may suffer losses if they invest in equity securities of issuers whose performance diverges from The Magnolia Group's expectations or if equity markets generally move in a single direction and the Funds have not hedged against such a general move. To the extent the Funds invest in equity derivatives and private placements activities, the Funds will be exposed to risks that issuers will not fulfill their contractual obligations to the Funds, such as delivering marketable common stocks upon conversions of convertible securities and registering restricted securities for public resale.

Restricted Securities and Other Illiquid Investments. The Funds may invest in nonpublic and restricted securities and other assets, which are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and the Funds may not be able to sell them when they desire to do so or to realize what they perceive to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Funds may not readily be able to dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Disposition of such investments may be possible, if at all, only at substantial discounts from their purchase price or intrinsic value.

Debt Securities. The Funds expect to invest in debt securities and instruments. Certain debt instruments in which the Funds invest may be unrated, and whether or not rated, the debt instrument may have speculative characteristics. The issuers of such instruments may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. In addition, an economic recession could severely disrupt the market for these securities and may have an adverse impact on the value of such instruments. It is also likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

Distressed Debt Investments. The Funds may invest in debt of borrowers that have defaulted or are anticipated to default. Bankruptcy and other insolvency proceedings are expensive, highly complex, and may result in unpredictable outcomes. There can be no assurances that the Funds will obtain favorable results in such proceedings or that the results would be known in a reasonable timeframe.

Short Selling. The Funds may engage in short selling. Short selling inherently involves certain additional risks. Selling securities short creates the risk of losing an amount greater than the initial investment in a relatively short period of time and the theoretically unlimited risk of an increase in the market price of the securities sold short. There is also the risk that the securities borrowed by the Funds in connection with a short sale will need to be returned to the securities' lender on short notice. If the request for return of securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and the Funds might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier. In addition, short selling can involve significant borrowing and other costs, which can reduce the profit or create losses in particular positions.

Options. The Funds may utilize options in furtherance of its investment strategy for both speculative and hedging purposes. Options positions may include long positions, where the Funds are the holder of put or call options, as well as short positions, where the Funds are the seller or writer of an option. Although option techniques can increase investment return, they can also involve a relatively higher level of risk. The buyer of a call option assumes the risk of losing the entire investment (the premium paid) in the call option. When an option is sold or written, uncovered, the writer could be liable for significant losses via margin with a risk of unlimited loss. Option premium costs, as well as the cost of covering options written by the Funds, can reduce or eliminate position profits or create losses as well. The Funds' ability to close out their positions as purchasers of an exchange-listed option is dependent upon the existence of a liquid secondary market on option exchanges. The Funds may also utilize options that may have limited liquidity. The seller ("writer") of a call option which is covered assumes the risk of a decline in the market price of the underlying security or other instrument below the purchase price of the underlying instrument, less the amount of premium received by the seller, and effectively forgoes the opportunity for gain on the underlying instrument above the exercise price of the option.

Real Estate Risks. Investments in real estate are subject to various known and unknown risks, including unforeseen changes in the local, national, and global economy, dynamic shifts in the geopolitical environment, the financial conditions of tenants, changes in the number of buyers for a specific asset type or geography, increases in the supply of product relative to demand, changes in availability and terms of third party financing, increases in interest rates, real estate tax rates, energy prices, and other operating expenses, changes in environmental laws and regulations, zoning laws, and other governmental rules and policies, volatility of real estate cash flows that can affect debt service and overall returns, commodity and labor prices impacting the cost of construction, as well as acts of God, terrorism, labor shortages, material shortages, and uninsurable losses, and other factors that are beyond the control of The Magnolia Group. The acquisition, ownership, management, and disposition of property carries potential litigation risks, which could result in unexpected losses to the Funds.

Futures and Commodities Contracts. The Funds may utilize futures and/or commodity contracts in connection with their investment activities. The low margin or premiums normally required in futures and commodities may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. Thus, like other leveraged investments, any purchase or sale of a futures or commodity contract may result in losses in excess of the amount invested. Trading in futures and commodity interests may involve substantial risks. Futures and commodity markets are highly volatile. There is no assurance that a liquid secondary market will exist for futures or commodity contracts, and the Funds may be required to maintain a position until exercise or expiration, which could result in losses.

Structured Finance Products. The Funds may invest a portion of their assets in structured finance products, including collateralized debt obligations (“CDOs”) and other products, in both funded (cash) and unfunded (derivative) form. Structured finance products are subject to credit, liquidity, default, recovery, correlation, market value, interest rate, currency, collateral, operational, structural, legal, tax, and certain other risks. Structured finance products are generally privately placed and offer less liquidity than other investment grade or noninvestment grade corporate debt. They are also generally issued in structured transactions with risks different from regular corporate debt. In addition, concentrations of structured finance products of a particular type, as well as concentrations of structured finance products issued or guaranteed by affiliated obligors, serviced by the same servicer, or backed by the same or similar underlying collateral, may subject the Funds to additional risk. A portion of the Funds may consist of structured finance products that are subordinate in right of payment and rank junior to other securities that are secured by, or represent an ownership interest in, the same pool of assets. In addition, certain transactions have structural features that divert payments of interest and/or principal to more senior classes when the delinquency or loss experience of the pool exceeds certain levels. As a result, such securities have a higher risk of loss as a result of delinquencies or losses on the underlying assets. In certain circumstances, payments of interest may be reduced or eliminated for one or more payment dates, and/or principal payment may be reduced or eliminated.

Forwards, Swaps, Repos and Other Derivatives. The Funds may utilize forwards, swap contracts, repos, and other over-the-counter derivative instruments. Principal risks relating to the use of derivatives include, in the case of hedging strategies, the possible imperfect correlation between the derivative and the market value of the securities, currencies, or other commodity position intended to be hedged (i.e., tracking risk), losses magnified by the degree of leverage (exposure) represented by the derivative, lack of a liquid secondary market for closing out the position, losses resulting from interest rate or currency movements not anticipated by The Magnolia Group, and reduced returns as a result of collateral posting to counterparties.

A position in a derivative instrument entails risks that are separate and distinct from those of the underlying interest. For example, the leverage (market risk per trading unit) and volatility represented by a derivative instrument is often significantly greater than that of the underlying interest. When traded in markets, derivative trading is often more volatile and less regulated than trading in established debt or equity issues. Trading in various over-the-counter derivatives, moreover, involves certain risks as to the counterparty (i.e., its ability to fulfill its contractual obligations under the derivative instrument). The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order to either realize gains or to limit losses. Additionally, many derivatives are valued on the basis of dealers’ pricing of these instruments. However, the price at which dealers value a particular derivative and the price that the same dealers would actually be willing to pay for such derivative should the Funds be required to sell such position may be materially different. Such differences can result in an overstatement of the Funds’ net asset values.

The pricing relationships between derivatives and the underlying instruments on which they are based may not conform to anticipated or historical patterns, resulting in unanticipated losses. In addition, there may be an imperfect correlation between the derivative and the market value of the securities, currencies, or other commodity position intended to be hedged.

The stability and liquidity of certain forwards, swaps, repos, and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transaction. If there is a default by the counterparty to a transaction, the Funds may have contractual remedies pursuant to the

agreements related to the transaction; however, exercising such contractual rights may involve delays or costs or may not be successful, which could adversely affect the Funds. It is possible that in the event of a counterparty credit default, the Funds may not be able to recover all or a portion of their investment in such derivative instrument and may be exposed to additional liability (i.e., the obligations associated with what has become an unhedged position).

Municipal Securities. The Funds may invest in municipal bonds issued by one or more cities or other local governments and agencies, including, but not limited to, counties, redevelopment agencies, special-purpose districts, school districts, publicly owned airports and seaports, and any other governmental entities below the state level, in order to take advantage of fixed and/or variable interest rates and possible exemptions granted to holders of municipal bonds on interest received with respect to federal income tax and income tax of the state in which the municipal bonds originate. Investments in municipal bonds are subject to different degrees of risk resulting from the varying ranges of creditworthiness amongst issuers of municipal bonds, interest rate risk, project finance risk, tax rate risk, and a lack of direct oversight disclosures that are required of issuers of corporate debt, particularly in the secondary trading market.

Stock Index Options. The Funds may also purchase and sell call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market for the purpose of realizing its investment objectives or for the purpose of hedging their portfolios. A stock index fluctuates with changes in the market values of the stocks included in the index. The effectiveness of purchasing or writing stock index options for hedging purposes will depend upon the extent to which price movements in the Funds' portfolios correlate with price movements of the stock indices selected. Because the value of an index option generally depends upon movements in the level of the index rather than the price of a particular stock, whether the Funds realize gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks.

Currency. The Funds may invest a portion of their assets in principal instruments denominated in currencies other than the U.S. dollar, the price of which is denominated in the local currency of the investment. The Funds will value their securities and other assets in U.S. dollars. The value of the Funds' assets will fluctuate with U.S. dollar exchange rates as well as the price changes of the Funds' investments in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies investments will reduce the effect of increases in the assets denominated in the other currencies and conversely, a decrease in the value of the U.S. dollar will have the opposite effect on the Funds' non-U.S. dollar securities.

Emerging Market and Global Investments. The Funds may invest a substantial portion of their assets in the securities and instruments of issuers located outside the United States, including emerging markets. In addition to business uncertainties, such investments may be affected by political, social, currency, and economic uncertainty affecting a country or region. Many financial markets are not as developed or as efficient as those in the United States and, as a result, liquidity may be reduced and price volatility may be higher. The legal and regulatory environment may also be different, particularly as to bankruptcy and reorganization. Financial accounting standards and practices may differ, and there may be less publicly available information in respect to such companies. The Funds may be subject to additional risks, which include possible adverse political and economic developments, possible seizure or nationalization of foreign deposits, and possible adoption of governmental restrictions which might adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from

currency blockage or otherwise. Furthermore, some of the securities may be subject to brokerage taxes levied by governments, which has the effect of increasing the cost of such investment and reducing the realized gain or increasing the realized loss on such securities at the time of sale. Income received by the Funds from sources within some countries may be reduced by withholdings and other taxes imposed by such countries. Any such taxes paid by the Funds will reduce the net income or return from such investments. While The Magnolia Group will take these factors into consideration when making investment decisions for the Funds, no assurance can be given that the Funds will fully be able to avoid these risks.

Item 9 – Disciplinary Information

Neither The Magnolia Group nor any of its employees have any disciplinary matters to disclose regarding its advisory business or the integrity of its management.

Item 10 – Other Financial Industry Activities and Affiliations

Mr. Peterson has a 7% ownership interest in and receives a management fee from the Real Estate Fund. He acquired that interest through an interest-bearing loan he obtained from the Real Estate Fund.

Mr. Peterson is a 25% owner of TAG, which manages two real estate funds. The other owners are certain investors in the Real Estate Fund (25%) and an unaffiliated third party (50%). The Real Estate Fund has a significant investment in the two funds that TAG manages. This represents a conflict of interest because Mr. Peterson, as the owner of the Firm, has an incentive to invest the Real Estate Fund's assets in the funds managed by TAG, where investments with unaffiliated funds may be more suitable. As discussed in Item 5 – Fees and Compensation above, TAG receives management fees, acquisition and disposition fees regarding the assets that it holds. The Firm has a potential conflict in that certain fees charged to the Real Estate Fund by TAG could appear to be timed to benefit TAG's owners and may not be in the best interest of the Real Estate Fund. The Firm addresses this conflict by having a policy to assess all investments without regard to any additional fees the Firm may receive, directly or indirectly, as a result of those investments.

In addition to the conflict referred to above regarding TAG, Mr. Peterson allocates a portion his time to duties at TAG. The Firm's policy is to allocate the time necessary appropriately to all investment opportunities. Mr. Peterson maintains his office at the Firm's location for both Firm activities as well as outside activities and facilitates the appropriate allocation of time to the Firm's activities.

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

The Firm has adopted a Code of Ethics and Insider Trading Statement ("Code") that describes the standards of conduct required from employees, including the protection of material, non-public information related to publicly traded companies. The Code requires that all of the Firm's supervised persons, as defined in the Code of Ethics, comply with applicable securities laws. The Code also includes provisions that require any supervised person to report any violations of the Code promptly to the Chief Compliance Officer ("CCO"), and to other persons designated from time to time. Each supervised person receives a copy of the Code, including any amendments, and acknowledges such receipt in writing.

The Code requires all access persons, as defined in the Code of Ethics, to report, and compliance staff to review, all personal securities transactions no less frequently than quarterly. Access persons are also required to file initial holdings reports that disclose all their securities holdings when they first become employed and annual holdings reports and quarterly transactions reports throughout their employment.

A copy of the Code is available upon request by contacting Peter Lindmark at (918) 796-3156.

As stated above in Item 10 – Other Financial Industry Activities and Affiliations, the Firm invests assets of the Real Estate Fund in funds managed by TAG, which is affiliated with the Firm. This represents a potential conflict of interest because the Firm benefits when such investments are made as a result of the affiliation between the Firm and TAG. The Firm addresses this conflict by having a policy to assess all investments without regard to any additional fees the Firm may receive, directly or indirectly, as a result of those investments.

The Firm permits its employees to invest in the same securities as those held by the Funds. This may create a conflict of interest, since employees have the ability to trade ahead of clients and potentially receive a more favorable price. The Firm mitigates this conflict through its policy of placing the clients' interests first, and, as a result, clients have priority over the Firm's employees in the purchase or sale of securities.

Item 12 – Brokerage Practices

The brokers/custodians the Firm selects generally charges the Funds a flat transaction fee for executing securities transactions. The Firm seeks to negotiate competitive rates for the Funds. However, the transaction fees charged by the broker/custodian may be higher or lower than those charged by other custodians and broker-dealers for the same services. The Firm has selected the brokers/custodians based on all relevant factors, including execution capability, transaction costs, value of research, responsiveness, and financial strength and reputation of the brokers/custodians.

The Firm has determined in good faith that having the brokers/custodians the Firm selected execute trades is consistent with its duty to seek "best execution" trades.

The Firm periodically reviews the policies regarding broker selection in light of its duty to obtain best execution.

The brokers/custodians provides the Firm and the Funds with services and benefits that are generally not available to firms that advise retail customers. Some of these services help the Firm manage or administer the Funds' accounts, while others help manage and grow the Firm's business. These support services are generally, but not always, available to the Firm whether requested or not. Among the services provided by the brokers/custodians that may directly benefit the Funds are execution and settlement services and custody of the Funds' assets.

Certain services provided by the broker/custodian may benefit the Firm but may not directly benefit the Funds. These services may assist the Firm in managing the Funds. They include, but are not limited to:

- Research, pricing services, and other market data;
- Ability to electronically download trades, balances, and positions and input them into the Firm's portfolio record keeping systems;

- Use of trading software to facilitate trade execution;
- Ability to pay the Firm's management fees directly from the Funds; and
- Provide access to Funds' account data, such as confirmations and statements.

Other services that are made available by the brokers/custodians generally benefit only the Firm. These services may include, but are not limited to: (i) consulting on technology, compliance, legal, and business needs; (ii) educational conferences; (iii) publications and conferences on practice management; and (iv) access to employee benefits providers, human capital consultants, and insurance providers. These services may be provided by the brokers/custodians or by a third-party vendor. The brokers/custodians may waive their fees for some of these services or pay all or part of the fees of a third-party vendor. Other benefits, such as business entertainment, may be provided to the Firm's personnel from time to time.

The following potential conflicts of interest arise from the Firm's relationship with the brokers/custodians:

- The products and services made available to the Firm through the brokers/custodians may directly benefit the Firm to the extent that the Firm would have to produce or pay for such products and services; and
- Since the brokers/custodians have a minimum dollar amount of assets required in order to receive some or all of the services discussed above, the Firm may have an incentive to continue to use or expand the use of the brokers/custodians in order to benefit the Firm rather than the Funds.

The Firm examines these potential conflicts of interest on an ongoing basis. The Firm believes that the selection of the brokers/custodians is in the best interests of the Funds. The selection is primarily based upon the quality and price of the services provided that benefit the Funds and not on those services that benefit only the Firm.

The Firm does not receive referrals from the brokers/custodians.

Because the Firm only advises one Fund that is actively trading publicly traded equities, the conditions do not exist where aggregating the purchase or sale of securities is applicable.

Item 13 – Review of Accounts

On a monthly basis, the Firm performs a comprehensive review of the performance and positions in the Funds. Such review is performed by the Firm's Managing Member or a designated person, and they document and remediate any material exceptions. In addition, for the Funds that trade public equities, the Firm has retained the services of an independent third party administrator ("TPA") who performs reviews and reconciles positions on a monthly basis. The TPA also prepares monthly NAV statements for all investors in those Funds after it has completed its reviews.

The Firm and its TPA, as applicable, will review performance during unusual market conditions.

Each investor in the Funds has the option to receive unaudited reports of performance from the TPA on a monthly basis via email. In addition, each investor in the Capital Fund receives audited year-end financial statements annually.

Item 14 – Client Referrals and Other Compensation

The Magnolia Group does not directly or indirectly compensate any person for client referrals. The only compensation the Firm receives for advisory services is the fees charged for providing investment advisory services as described in Item 5 – Fees and Compensation of this Brochure. The Magnolia Group receives no other forms of compensation in connection with providing investment advice. Please see Item 10 – Other Financial Industry Activities and Affiliations for disclosure regarding the compensation received by Mr. Peterson as result of his affiliation with TAG.

Item 15 – Custody

The Firm supervises the completion of audits of the Capital Fund by an independent public accountant as well as the distribution of audited financial statements to investors in the Capital Fund within 120 days of the fiscal year end. The independent public accountant that conducts the audit is registered with, and subject to, regular inspection by the Public Company Accounting Oversight Board (“PCAOB”).

Item 16 – Investment Discretion

The Firm buys and sells securities and other instruments for the Funds on a discretionary basis in a manner consistent with each Fund’s investment objectives, guidelines, and restrictions as set forth in the Memorandum and/or the IMA.

The Firm is authorized to make investment decisions in accordance with the objectives, guidelines, and restrictions without obtaining prior consent from the Funds or investors regarding: (i) which securities or other investment instruments to buy or sell; (ii) the total amount of securities or other investment instruments to buy or sell; (iii) selection of the executing broker for any transaction; and (iv) commission rates or commission equivalents charged for transactions.

Item 17 – Voting Client Securities

The Firm retains responsibility for voting proxies and will not accept direction from investors in the Funds. Under Section 206(4)-6 of the Advisers Act, the Firm has implemented written policies and procedures governing its proxy voting activities. The Firm’s written policy requires it to vote client proxies in the best interest of the Funds. However, the policy permits the Firm to abstain from proxy votes when: (i) in the reasonable opinion of the Firm, the outcome of the vote most likely will not be determined by how the Firm may vote and thus the cost of voting appears to exceed the potential benefit to the Funds; or (ii) the subject of the vote does not appear likely to have a material impact on the value of the investment held by the Funds.

The Firm recognizes that from time to time there may be a conflict of interest or potential conflict of interest between itself and the Funds with respect to the voting of proxies of certain companies and has developed a mechanism for identifying and addressing such conflicts. If the Firm determines that a material conflict exists between the Firm’s interest and a Funds’ interests, it will maintain documentation evidencing the resolution, which may include a recommendation from an independent third party.

The Firm’s CCO may be reached at (918) 796-3156 for a copy of the proxy policy and information with respect to how the Firm voted a proxy.

Item 18 – Financial Information

The Firm does not require or solicit prepayment of more than \$1,200.00 in fees per client, six (6) months or more in advance. Therefore, the Firm is not required to include a balance sheet for its most recent fiscal year.

The Firm does not have any financial conditions to disclose that are likely to impair its ability to meet contractual commitments to the Funds.

The Firm has never been the subject of a bankruptcy petition.