



Part 2A of Form ADV: *Firm Brochure*

**Magnolia Capital Advisors LLC
d/b/a MAG CAP**

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January 31, 2019

This brochure provides information about the qualifications and business practices of Magnolia Capital Advisors LLC d/b/a MAG CAP (herein after referred to "MAG CAP"). If you have any questions about the contents of this brochure, please contact us at (601) 362-5872. 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 MAG CAP also is available on the SEC's website at www.adviserinfo.sec.gov. Registration does not imply any level of skill or training.

Item 2: Material Changes

This Firm Brochure is the disclosure document Magnolia Capital Advisors LLC d/b/a MAG CAP ("MAG CAP") "we" and/or the "firm") prepared according to regulatory requirements and rules.

Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

Since our initial filing made in August of 2018, the following changes have been made:

- MAG CAP has regulatory assets under management of \$100 million, or more, and therefore remains eligible to be classified as a SEC registered investment adviser.
- Christopher Payne is now Chief Compliance Officer.
- Items 4, 5, 7, and 10: Information regarding Private Funds managed by MAG CAP was included.

Whenever you would like to receive a complete copy of the current Brochure, please contact us at (601) 362-5872 or cpayne@graydoncs.com. We will be happy to provide you with a complete copy.

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Item 4: Advisory Business

Description of the Firm

Magnolia Capital Advisors LLC d/b/a MAG CAP ("MAG CAP"), is a Delaware limited liability company founded in 2018 with its principal place of business in Mississippi. MAG CAP filed for registration in August of 2018.

MAG CAP is owned by Stephen Buehler, Vaiden Clark, Stephen Griner and Charles Marion, each of whom is a managing member.

Christopher Payne of Graydon Compliance Solutions is the Chief Compliance Officer.

Description of Services Offered

The following paragraphs describe the services offered by MAG CAP. Please refer to the following paragraphs for more detail about the specific service, and how we tailor our services to your individual needs. As used in this Brochure, the words "our" and "us" also refer to MAG CAP. The words "you," "your" or "client" refer to our clients and prospective clients. Other terms may be defined later in this Brochure as well.

Investment Advisory / Portfolio Management Services

MAG CAP offers continuous and ongoing investment advice and portfolio management services. Investment planning is designed to provide a retirement roadmap of income and expenses over the client's life. Our advice and services are tailored to meet our client's individual needs, life circumstances and investment goals. We conduct at least one, but sometimes more than one meeting (in person, telephone or video conference, or via email) with clients in order to understand their current financial situation, existing resources, financial goals, investment objectives, risk tolerance, time horizons and liquidity needs.

Clients may impose reasonable restrictions and guidelines on investing in certain securities, types of securities or industry sectors. We expect all such restrictions to be timely communicated to us. Client restrictions and guidelines may negatively affect investment performance.

Clients must inform us of any changes to their financial circumstances, investment objectives or risk tolerance, or of any modifications or restrictions that are imposed on the management of the client's account. In this manner, our firm can better serve clients' needs.

Account management and supervision is guided by the client and market conditions. We manage clients' investment accounts on a discretionary and non-discretionary basis. We will monitor the portfolio's performance on an ongoing and continuous basis, unless otherwise agreed, and will make adjustments and reallocations as necessary due to changes in market conditions and the client's circumstances, as communicated to us.

For our discretionary asset management services, MAG CAP will receive a limited power of attorney to effect securities transactions on behalf of a client. The client may limit our discretionary authority by providing us with a written communication that details restrictions and other guidelines. Unless otherwise agreed to by the client and the firm, if we manage a client's account on a non-discretionary basis, we will have the ongoing responsibility to make investment recommendations based on the client's individualized

investment strategy or we will develop and implement an asset allocation strategy, which we will continuously monitor and supervise. We would first obtain a client's approval before executing transactions in a non-discretionary account. Requests for approval will be communicated via electronic mail to an authorized account or via a telephone call to an authorized phone number. The client will be responsible for responding in a timely manner.

Our services encompasses asset management designed to assist clients in meeting their financial goals through the use of financial investments. We explore different types of investment options and strategies in the design of a client's circumstances. Our investment recommendations are not limited by any specific product or service offered by a broker-dealer or custodian. These recommendations will generally include, but not necessarily be limited to, security types from the following list:

- Money market funds and other cash instruments
- Exchange listed securities, and securities traded over-the-counter
- Mutual fund shares, SMAs and exchange traded fund shares – passive and actively managed, including mutual funds held at the fund company
- Closed end fund shares
- Certificates of deposit
- Corporate debt securities
- Municipal securities
- U.S. governmental securities
- Options
- Variable (No-Load) annuity products (not held by our custodian)
- Private fund and Private Placements

Each type of security has its own unique set of risks associated with it, and it would not be possible to list all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

Because some types of investments involve certain additional degrees of risk, they will only be recommended and implemented when consistent with the client's IPS and where the investment is determined to be suitable.

Financial Planning and Financial Consulting Services

MAG CAP also provides financial planning and financial consulting services. Such services include a comprehensive evaluation of a client's financial situation by using currently known facts and variables. Generally, such financial planning services will involve preparing a financial plan or rendering a financial consultation for clients based on the client's current situation, financial goals and objectives. For financial consulting clients, we will usually not provide a written summary of our observations and recommendations, as the process is a less formal engagement. Regardless of the nature of the service, the implementation of all recommendations will be at the client's discretion.

A financial plan or financial consultation may address one or more of the following areas:

- **Financial Position:** Understanding of a client's current financial situation. Sources of evaluation include income, expenses, assets, liabilities, etc.
- **Investment Planning:** Determining the most suitable way to structure investments to meet financial

- goals, and determine the appropriate account type (*e.g.*, joint tenants, IRA, Roth IRA, etc.)
- **Personal Tax Planning:** Evaluating the current tax situation to help minimize a client's taxes and find more profitable ways to use the extra income generated.
 - **Retirement Planning:** Assessing retirement needs to help a client determine how much to accumulate, as well as distribution strategies designed to create a source of income during retirement years.
 - **Credit Planning:** Evaluating a client's credit needs.
 - **Insurance Planning and Risk Management:** Evaluating the client's insurance needs and reviewing insurance policies and the like.
 - **Estate Planning:** Reviewing the client's cash needs at death, income needs of surviving dependents and estate planning goals.
 - **Education Planning:** Reviewing the educational needs for the client and his/her family, along with planning for educational expenses.
 - **Charitable Planning:** Providing provide strategic charitable giving plans for clients and researching and evaluating charitable entities and private foundations.
 - **Mortgage/Debt Analysis:** Analyzing client's current mortgage debt, home equity, and financing alternatives.
 - **Review of Employee Benefit Plans:** Reviewing the client's investment options, allocation models and historical performance of client assets held through employee benefit plans.

We gather information through interviews and review of documents provided by the client, including questionnaires. Information gathered includes the client's current financial status, future goals, investment objectives, risk tolerance and family circumstances.

Typical financial planning or financial consultation services include one or more of each of the aforementioned service components. A financial plan may require the services of a specialist such as an insurance specialist, attorney or tax accountant. We may recommend third-party service providers, but the client is under no obligation to use any service provider recommended by us. Likewise, the client is under no obligation to act on our financial planning recommendations. MAG CAP does not receive referral or other fees from third-party service providers.

Financial plans and consultations are based on the client's financial situation at the time we present the financial plan or consultation to the client, and on the information provided to us. The client must promptly notify us if his/her financial situation, goals, objectives or needs change. Certain assumptions may be made with respect to interest rates, inflation rates, and use of past trends and performance of the market and economy. Past performance is in no way an indication of future performance. We do not offer any guarantees or promises that a client's financial goals will be met.

Private Funds

MAG CAP provides investment management services to privately offered pooled investment vehicles ("Private Fund" or "Private Funds" or collectively, the "Funds"). Private Fund investments are managed in accordance with the investment objectives set forth in each Private Fund's confidential offering memorandum ("Memorandum") and such investments are not tailored to the individual needs of any particular limited partner.

In return for our investment management services, we receive an investment management fee calculated on a pro rata share of Committed or Invested Capital, whichever is greater. The Private Funds are not available for purchase by the general public. Please refer to the partnership documents for more detailed information and requirements. MAG CAP generally requires such investors to make representations

concerning their sophistication as investors and their ability to bear the risk of loss of their entire investment under MAG CAP management.

Publication of Periodicals

MAG CAP may publish newsletters providing general information on various financial topics including, but not limited to, estate and retirement planning, market trends, etc. No specific investment recommendations are being provided in any newsletter, and the information provided is not intended and does not purport to meet the objectives, needs or targets of any client or individual. Absent specific advice or services provided by MAG CAP, clients should not rely upon the information contained in any newsletter. This newsletter would be distributed to our advisory clients, prospects and other professionals.

Educational Seminars

MAG CAP may periodically offer educational seminars and/or workshops for clients, prospective clients, accountants and others. Although these seminars may address financial planning, Social Security strategies, money management and investment and retirement planning, the content of these seminars will vary depending upon the needs of the attendees. These seminars are purely educational in nature and do not involve the sale of any investment products. Information presented will not be based on any individual's personal needs, nor do we provide individualized investment advice to attendees during these seminars.

Qualified Plan Consulting and Participant Investment Consulting Services

We provide retirement plan and pension consulting services to employer plan sponsors on an ongoing basis pursuant to Section 3(21) of Employee Retirement Income Security Act of 1974 ("ERISA"). Generally, such pension consulting services consist of assisting employer plan sponsors in establishing, monitoring and reviewing their company's participant-directed retirement plan.

Services would typically include:

- **Establishing an Investment Policy Statement** – our firm will assist in the development of a statement that summarizes the investment goals and objectives along with the broad strategies to be employed to meet the objectives.
- **Investment Options:** We will work with the client to evaluate existing investment options and make recommendations for appropriate changes.
- **Asset Allocation and Portfolio Construction:** We will make recommendations regarding asset allocation models to be offered to plan participants, and will assist the client in structuring the portfolio based upon the investment policy statement of the plan.
- **Investment Monitoring:** We will regularly monitor the performance of the investments and notify the client in the event of over/underperformance and in times of market volatility.
- **Participant Education:** We will educate plan participants regarding investment options offered within the qualified plan.

We will not act as the investment manager for a qualified plan or take discretionary authority with respect to a client's qualified plan assets. The client would retain decision-making authority for the qualified plan investments and may accept or reject our recommendations. Further, in providing services for retirement plan and pension consulting, our firm does not provide any advisory services with respect to the following types of assets: employer securities, real estate (excluding real estate funds and publicly traded REITs), participant loans, non-publicly traded securities or assets, other illiquid investments, or brokerage window

programs. The consulting services provided are limited to those assets specifically identified in the client agreement.

Wrap Fee Programs

MAG CAP does not currently participate in a wrap fee program. Should we begin offering such a program, it will adhere to the following practices.

Under the wrap fee program offered, clients may pay a single advisory fee (see Item 5) to Company for investment advisory services provided by Company and custody and brokerage services provided by Raymond James. MAG CAP will pay the custodial fee, if any, and the execution and clearing fees associated with transactions in the client's accounts which are custodied at Raymond James ("wrap fee accounts"). The advisory fee will be based on the assets under management in the wrap fee account.

Except as provided below, MAG CAP may eventually offer a wrap fee program to all asset based advisory clients who (a) custody their assets and establish a brokerage account with RJFS, and (b) pay an advisory fee based on a percentage of assets under management with Company or a stated flat annual fee. If adopted, investment opportunities for wrap fee accounts will not materially differ from those for non-wrap fee accounts. Should MAG CAP offer a Wrap Fee Program, it will provide further information in a Wrap Fee Program Brochure, which will be made available upon request and which shall be provided to a client before opening a wrap fee account.

Client Assets Under Management

As of December 31, 2018, MAG CAP had regulatory assets under management of \$461,412,606. \$259,914,965 of the assets under management are managed on a discretionary basis, and \$201,497,641 are managed on a non-discretionary basis.

Information Regarding Potential Conflicts of Interest

Although we seek to avoid them, MAG CAP may have actual or potential conflicts of interest arising from our advisory services. These may include, but are not limited to:

- Conflicts related to allocating time and resources between client accounts, allocation of brokerage commissions and investment opportunities generally. For further information on our brokerage and allocation policies, and related conflicts of interest, please refer to Item 12 below.
- Conflicts related to one or more of our investment advisor representatives also being licensed as an independent insurance agent through licensed insurance brokers. For further information, please refer to Item 10 below.
- Conflicts related to investing in securities recommended to clients and contemporaneous trading of securities (*i.e.*, personal trading) by MAG CAP or its related persons. Please refer to Item 11 for further information.

Actual or potential conflicts of interest generally can be addressed in a number of ways, including, but not limited to, the following:

- We prohibit the conduct that gives rise to the conflict of interest;
- We comply with an impartial standard conduct, which means we must give advice in the best interests of our clients;

- We give a received benefit to a client;
- We implement procedures to prevent a person from gaining knowledge that may give rise to a conflict;
- We establish benchmarks and parameters for conduct that are designed to protect client interests or limit the benefit that creates the conflict of interest;
- We disclose the conflict of interest to our clients; and/or
- We set a *de minimus* threshold for benefits that are considered too small to influence conduct, and are therefore permitted.

Our firm has adopted a Code of Ethics. (Please refer to Item 11 below for further information on our Code of Ethics). We also have policies and procedures in place to mitigate and address conflicts of interest. We believe that such policies and procedures are reasonably designed to treat clients equitably and to advance the best interests of the clients. The clients' best interest are paramount in any situation involving a conflict of interest.

Item 5: Fees and Compensation

Investment Advisory / Portfolio Management Services

Depending upon the type of advisory service to be provided, clients generally have a choice regarding the manner in which fees will be calculated for such services. Options for calculating fees include the following:

- **Percentage of Assets under Management:** Clients will be charged as a percentage of assets under management with us, according to the schedule set forth in the client management agreement between us and the client, provided, however, that the annual fee would not exceed two percent (2%); or
- **Flat Quarterly or Annual Fees:** Clients will be charged at an agreed upon flat annual fee, paid quarterly, or flat quarterly fee depending on the scope and complexity of the client's needs.

The annual fee being charged to the client will be set forth and identified in an agreement between MAG CAP and that client. We may negotiate other fee schedules depending on the size of the account, type of account, the level of client service required and other factors we consider relevant, including timing of client relationship.

We typically do not impose a minimum account size or a set minimum annual fee for investment advisory services.

For the fee charged as a percentage of assets under management, fees are charged quarterly in advance based on the market value of the client's account(s), as determined by the custodian, on the last business day of the quarter. Cash and assets which are invested in shares of mutual funds, exchange-traded funds, annuities we manage, individual securities, collective trusts, unit investment trusts and/or closed-end funds shall be included in the calculation of the value of the client's assets under management with us for purposes of computing our fee. A client's margin balance is typically included when calculating assets under management with MAG CAP. This will be in addition to any margin interest being paid by the client.

For partial quarters, fees are pro-rated. All unearned fees will be refunded to the client in the event the client terminates our services. If there is a deposit to or withdrawal from a client's account(s) by more than \$50,000.00 in a quarter, our fees will be prorated. Unless other arrangements are made, fees are

directly debited from a client's account(s), and each client is required to provide the qualified custodian of the client's account(s) written authorization to deduct the fees described.

The custodian sends the client a statement, at least quarterly, indicating the amount of our fees and all amounts disbursed from the account to MAG CAP for our fees. The client is responsible for verifying the accuracy of the fee calculation, as the custodian will not verify the calculation. Payment of fees may result in the liquidation of client's securities if there is insufficient cash in the client's account(s).

Clients will not receive from MAG CAP an account statement or a fee invoice. Only the custodians' account statement will be sent to clients. Asset based fees are always subject to the management agreement between the client and MAG CAP, and we generally retain the right to amend our fee schedule with 30 days prior written notice to the client.

Financial Planning and Financial Consulting Services

For clients who retain MAG CAP for its investment advisory services, there is generally no charge for financial planning services. Others may retain MAG CAP for only financial planning or financial consultation, and for those persons our fees are based on the nature of the services being provided, who is providing the services and the complexity of the client's circumstances. Financial planning fees are generally calculated and charged on a flat fee basis from \$2,500 to \$25,000 per engagement. If a client terminates financial planning services after MAG CAP has begun the work but before completion, we will charge a termination fee equal to the hours then spent on your services at a rate outlined in the client's agreement executed prior to MAG CAP commencing planning. Financial planning fees and the termination fee are negotiable. MAG CAP may reduce or waive the financial planning fees and/or termination fee in certain circumstances.

We provide you with an exact fee quote before you authorize us to begin our work. The specific financial planning fee being charged to the client will be set forth and identified in an agreement between MAG CAP and that client. MAG CAP, with the consent of client, will cause financial planning fees to be withdrawn from client's bank account.

Although the length of time it will take to provide a financial plan or financial consultation depends on each client's personal situation, we will provide a timing estimate at the start of the planning relationship. For those who will be charged for financial planning or financial consultation, we will invoice the client for the services, and the fees will generally be due and payable upon delivery of the completed financial plan to the client or completion of the services, as applicable.

MAG CAP may recommend an update to a financial plan as needed and when objectives or financial situation change. In that situation, the fee will be dependent on the nature of the update. Again, this fee will be set forth and identified in an agreement between us and the client.

In some circumstances, the financial plan may require the services of a specialist such as an insurance specialist, attorney or tax accountant. (MAG CAP does not provide any legal, or accounting advice.) MAG CAP may recommend third-party service providers, but the client is under no obligation to use any service provider recommended by MAG CAP. Fees for specialists will be negotiated between the client and specialist directly.

Periodicals and Educational Seminars

We do not charge any fee for newsletters or periodicals we publish. We do not charge a fee for attendance at educational seminars we may conduct.

Qualified Plan Consulting and Participant Investment Consulting Services

As part of providing additional advisory services, MAG CAP may provide a client recommendations and advice concerning the client's employer retirement plan or other qualified retirement account. The firm's recommendations may include that the client consider withdrawing the assets from their employer's retirement plan or other qualified retirement account and roll the assets over to an individual retirement account ("IRA"). Further, the firm offers its management services be applied to those funds and securities rolled into an IRA or other account for which it will receive compensation. If the client elects to roll the assets to an IRA that is subject to the firm's management, the firm will charge the client an asset based fee. This practice presents a conflict of interest because persons providing investment advice on the firm's behalf have an incentive to recommend a rollover to the client for the purpose of generating fee based compensation rather than solely based on the client's needs. The client is under no obligation, contractually or otherwise, to complete the rollover. Furthermore, if the client does complete the rollover, the client is under no obligation to have the assets in an IRA managed by MAG CAP. Clients will be charged as a percentage of assets under management with us, according to the schedule set forth in the client management agreement between us and the client, provided, however, that the annual fee would not exceed two percent (2%).

It is important that the client understand the differences between these types of accounts and to decide whether a rollover is best for the client. Prior to proceeding, if the client has questions, contact MAG CAP's Chief Compliance Officer, or call the Firm's main number as listed on the cover page of this brochure.

General Information

An investment management agreement may generally be terminated at any time, by MAG CAP or the client, for any reason upon prior written notice. The timing is specified in the client management agreement between MAG CAP and the client. In addition, if a client receives this Brochure at the time the client enters into the investment management agreement, the client has the right to terminate the agreement within 5 business days after entering into it by giving written notice of such termination to MAG CAP.

MAG CAP will not take custody or possession of client funds or securities at any time except to the extent that we may deduct fees directly from the client's account(s).

All fees paid to MAG CAP are separate and distinct from fees and expenses charged by any mutual fund, exchange-traded funds and closed-end funds. Fund fees are described in the respective fund's prospectus. These fees will generally include management fees, various expenses and a possible distribution fee. The client should review all fees being charged on its investments and those charged by MAG CAP to fully understand the total amount of fees to be paid by the client and to evaluate the advisory services being provided.

Clients may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, trade execution fees, deferred sales charges, odd-lot differentials, transfer taxes, and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Please refer to Item 12 (Brokerage Practices) in this Brochure for additional information.

MAG CAP has a fiduciary duty to all its clients. MAG CAP is also a fiduciary to advisory clients that are

employee benefit plans (such as profit-sharing plans or pension plans) or individual retirement accounts (collectively, our "retirement clients") (IRAs) pursuant to ERISA or the Internal Revenue Code ("IRC"). MAG CAP is subject to specific duties and obligations under ERISA and the IRC that include among other things, restrictions concerning certain forms of conflicted compensation. To avoid engaging in prohibited transactions, MAG CAP may only charge fees for investment advice (i) about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or (ii) about products for which our firm and/or our related persons receive commissions or 12b-1 fees if such commission and fees are used to offset MAG CAP advisory fees.

Clients should be aware that similar advisory services may or may not be available from other investment advisors for similar or lower fees.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

Certain of MAG CAP 's financial advisors may act as registered representatives of unaffiliated third party broker-dealers and may sell securities through such broker-dealers. Certain of MAG CAP 's financial advisors may act as licensed insurance agents of unaffiliated third party insurance companies or agencies. These products and services are separate and distinct from investment advisory services offered through MAG CAP. Clients should be aware that these securities products and insurance products pay a commission. All fees and commissions related to securities products or insurance products being sold by a financial advisor in his/her capacity as a registered representative or insurance agent must be disclosed to the client. In no event is any client obligated, contractually or otherwise, to use the services of any registered representative or insurance agent acting in such capacity or to purchase products or services through said individual.

Private Funds

As discussed in Item 4, MAG CAP provides investment management services to privately offered pooled investment vehicles. In return for our investment management services, we receive an investment management fee, calculated and accrued quarterly, and payable to MAG CAP on a pro rata share of Committed or Invested Capital, whichever is greater. The private fund does not charge a performance-based fee.

Item 6: Performance-Based Fees and Side-by-Side Management

MAG CAP does not charge performance-based fees or participate in side-by-side management. Performance-based fees are fees which are based on the share of capital gain or appreciation of a client's account.

Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged a performance-based fee. We do not charge performance based fees, nor do we provide side-by-side management.

Item 7: Types of Clients

MAG CAP may offer its services to individuals, high net worth individuals, corporations and other business entities, pension and profit sharing plans, endowments, foundations, charitable organizations, investment advisors, estates and trusts. MAG CAP also acts as investment adviser to Private Funds.

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

MAG CAP may use one or more of the following methods of analyses or investment strategies when providing investment advice to clients, subject to the clients' investment objectives, risk tolerance, time horizons and stated guidelines:

- **Asset Allocation.** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance, and we seek to create a portfolio using mean variance optimization to maximize potential return relative to portfolio risk. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.
- **Mutual Fund, SMA and/or ETF Analysis.** We look at the experience and track record of the manager of the mutual fund or exchange traded fund (ETF) in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.
- **Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). We look at historical and present financial statements of the company, annual reports, governmental filings and business activities. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock. Individualized analysis of underlying documentation can vary.
- **Technical Analysis.** We may analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not necessarily consider the underlying financial condition of a company. This presents a risk in that a poorly managed or financially unsound company may underperform regardless of market movement. Past performance is not a guarantee of future performance.
- **Quantitative Analysis.** We may use mathematical models and statistical modeling in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect. Quantitative analysis does not necessarily factor in all variables.

- **Qualitative Analysis.** We may subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data. A risk is using qualitative analysis is that our subjective judgment may prove incorrect.
- **Sector Rotation Analysis.** We may review and assess the current condition and future prospects of a given sector of the economy. To add incremental value to a core portfolio by making small adjustments to the size of industry sectors in client portfolios. Sector analysis serves to provide us with an idea of how well a given group of companies within a sector are expected to perform as a whole. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector.

MAG CAP's analysis methods rely on the assumption that the investment vehicles which we recommend for our clients, the companies whose securities we purchase and sell on behalf of our clients, the rating agencies that review these securities, and other publicly or privately available sources of information about these securities, are providing accurate, timely and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate, misleading or untimely information. This is an ongoing risk with regard to all the strategies discussed below.

Investment Strategies

MAG CAP may use the following strategies in managing client accounts. Investment strategies and advice may vary depending upon each client's specific financial situation. We manage households and accounts on a goal approach so not every account is diversified. Certain accounts may be more heavily weighted in one sector versus another account in order to diversify the household as a whole. As such, we determine investments and allocations based upon the client's predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. The client's restrictions and guidelines may affect the composition of the client's portfolio.

- **Long-term Purchases.** We purchase securities with the idea of holding them in the client's account for some period of time, often a year or longer. Typically, we employ this strategy when we believe the securities to be currently undervalued, and/or we want exposure to a particular asset class over time, regardless of the current projection for this class. A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell. However, in certain circumstances, it may be appropriate to sell a security, although held only for a short term, to capture any gain or avoid a loss.
- **Short-term Purchases.** When utilizing this strategy, we purchase securities with the idea of selling them when they reach or pass their price targets. We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.
- **Margin Transactions.** We do not purchase stocks for your portfolio with money borrowed from your brokerage account. However, we may use margin as a cash flow technique to make funds available.
- **Option Related Strategies.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset. We may also utilize

structured notes, closed end funds or mutual funds that utilize options strategies. The two types of options are calls and puts. A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires. A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires. We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio. We use "covered calls," in which we sell an option on a security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price. We use a "spreading strategy," in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors. Option writing is not a fundamental part of MAG CAP's overall investment strategy, but we may use this strategy occasionally when given authority and we determine that it is suitable given a client's stated investment objectives and tolerance for risk.

Risk of Loss

Investing involves a risk of loss. Clients should be prepared to bear investment loss, including the loss of the original principal. Clients should never presume that future performance of any specific investment or investment strategy will be profitable. Further, there may be varying degrees of risk depending on different types of investments. Clients should know that all investments carry a certain degree of risk ranging from the variability of market values to the possibility of permanent loss of Cap. Although portfolios seek principal protection, asset allocation and investment decisions may not achieve this goal in all cases. There is no guarantee a portfolio will meet a target return or an investment objective.

Risks to capital include, but may not be limited to, changes in the economy, market volatility, company results, industry sectors, accounting standards and changes in interest rates. Investments are generally subject to risks inherent in governmental actions, exchange rates, inflation, deflation, and fiscal and monetary policies. Market risks include changes in market sentiment in general and styles of investing. Diversification will not protect an investor from these risks and fluctuations.

MAG CAP does not engage in high-frequency trading activities or algorithmic trading strategies.

Additional risks may include:

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. 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. Common stock (or its equivalent) is generally exposed to greater risk than preferred stocks and debt obligations of an issuer.

Company risk: There is always a certain level of company or industry specific risk that is inherent in each investment. Although this risk can be reduced through appropriate diversification, it cannot be eliminated. There is the risk that the issuer will perform poorly or have its value reduced based on factors specific to the issuer or its industry. If the issuer experiences credit issues or defaults on debt, the value of the issuer may be reduced.

Exchange traded fund and mutual fund risk: The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will incur additional costs associated with ETFs and mutual funds (see Item 5).

Consumer Discretionary ETF Shares are listed for trading on NYSE Arca and can be bought and sold on the secondary market at market prices. Although it is expected that the market price of a Consumer Discretionary ETF Share typically will approximate its net asset value (NAV), there may be times when the market price and the NAV vary significantly. Thus, the client may pay more or less than NAV when the Consumer Discretionary ETF Shares are purchased on the secondary market, and the client may receive more or less than NAV when you sell those shares. Although Consumer Discretionary ETF Shares are listed for trading on NYSE Arca, it is possible that an active trading market may not be maintained and Trading of Consumer Discretionary ETF Shares on NYSE Arca may be halted by the activation of individual or market wide "circuit breakers" (which halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). Trading of Consumer Discretionary ETF Shares may also be halted if the shares are delisted from NYSE Arca without first being listed on another exchange or exchange officials determine that such action is appropriate in the interest of a fair and orderly market or to protect investors.

Management risk: Investments managed by us vary with the success and failure of our investment strategies, research, analysis and determination of portfolio securities.

Foreign investments risks: Non-U.S. investments, currency and commodity investments may contain additional risks associated with government, economic, political or currency volatility.

Emerging markets risks: Emerging markets can experience high volatility and risk in the short term.

Liquidity risks: Generally, assets are more liquid if many investors are interested in a standardized product, making the product relatively easy to convert into cash. Specialized investments may have reduced liquidity.

Bond risks: Investments in bonds involve interest rate and credit risks. Bond values change according to changes in interest rates, inflation, credit climate and issue credit quality. Interest rate increases will reduce the value of a bond. Longer term bonds are more susceptible to interest rate variations than shorter term, lower yield bonds.

Sector risks: Investing in a particular sector is subject to cyclical market conditions and charges.

Because of the inherent risk of loss associated with investing, we are unable to represent, guarantee or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

Generally

Cash balances are typically invested daily in interest-bearing money market accounts.

Our strategies and investments may have unique and significant tax implications. MAG CAP will manage portfolios with an awareness of tax implications, but long-term wealth compounding is our primary consideration. Specific goals regarding account tax efficiency should be set forth in a writing signed by both us and the client. Regardless of account size or other factors, MAG CAP strongly recommends that its clients continuously consult with a tax professional prior to and throughout the investing of clients' assets. Each client is responsible for contacting his/her tax advisors to determine which cost basis

accounting method is the right choice for the client. Clients should provide MAG CAP with written notice of a client's selected accounting method, and MAG CAP will alert the client's custodian of the individually selected accounting method. Clients should be aware that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

Item 9: Disciplinary Information

MAG CAP is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of us, our business or the integrity of our management or associated persons.

Neither MAG CAP, nor any of our associated persons has any reportable disciplinary events to disclose.

Item 10: Other Financial Industry Activities and Affiliations

MAG CAP is not a registered broker-dealer, commodity firm, commodity trading advisor, or futures commission merchant, and does not have an application to register for any of the same pending.

MAG CAP does not recommend investment products in which it receives any form of compensation from the separate account manager or investment product sponsor.

Some of MAG CAP's financial advisors are also licensed insurance agents for unaffiliated third parties, and may recommend insurance products to clients, such as life, disability and long term care insurance products. These products are separate and distinct from investment advisory services offered through MAG CAP. MAG CAP will not receive a commission or fees as a result of the sale of insurance related products. All fees and commissions related to insurance products must be disclosed to the client. In no event is any client obligated, contractually or otherwise, to use the services of any licensed insurance agent acting in such capacity or to purchase products or services through said individual.

Some of the firm's financial advisors are also registered representatives of unaffiliated third party broker-dealers, and may recommend the purchase of securities through said broker-dealers.

Stephen Griner, a Principal and Advisor; and Lan Pickle, an Advisor, are both registered representatives at Harbor Financial Services, LLC ("Harbor"), an SEC registered broker-dealer and a member of FINRA. In this capacity, both Mr. Griner and Mr. Pickle may provide securities brokerage services and implement securities transactions on a commission basis. Clients should be aware that the receipt of additional compensation itself creates an inherent conflict of interest, and may affect the judgement of these individuals when making recommendations. The Adviser and Harbor are separate, nonaffiliated entities. Nevertheless, to the extent that a MAG CAP representative recommends the purchase of securities or other investment products where the representative receives commissions for doing so, a conflict of interest exists because the representative may be incentivized to make recommendations based on the compensation received rather than on a client's needs.

MAG CAP always seeks to act in the best interest of the client, and any person providing investment advice on behalf of the firm must seek to act in the best interests of the client and put that client's interests ahead of the individual's own interests.

MAG CAP acts as the investment adviser to Private Funds. Typically, the Managing Partner of the Private Fund is a MAG CAP affiliate. This presents a conflict of interest in situations where interests in

the Fund may be recommended to qualified clients or prospects.

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

Code of Ethics

MAG CAP has adopted a Code of Ethics that sets forth high ethical standards of business and professional conduct which we require our employees to follow. The Code of Ethics outlines proper conduct related to all services provided to clients by MAG CAP and our associated persons, and includes guidelines for compliance with applicable laws and regulations governing our practice. Our goal is to protect our clients' interests at all times and demonstrate our commitment to our fiduciary duties of honesty, good faith and fair dealing.

Personal Securities Transactions and Interests

Through its professional activities, MAG CAP and its supervised persons are exposed to potential conflicts of interest and the Code of Ethics contains provisions designed to mitigate certain of these potential conflicts by governing the personal securities transactions of certain of its employees, officers and directors. In particular, the Code of Ethics governs the conduct of certain "access persons" in circumstances where MAG CAP or access persons may desire to purchase or sell securities for their personal accounts that are identical to those recommended by MAG CAP to its clients. For these purposes, the Code of Ethics defines an "access" person as a supervised person of MAG CAP that (1) has access to nonpublic information regarding any clients' purchase or sale of securities, (2) has access to nonpublic information regarding the portfolio holdings of any fund the adviser or its control affiliates manage or sponsor, or (3) is involved in making securities recommendations (or has access to such recommendations) to clients that are nonpublic.

Access persons' trades must be executed in a manner consistent with the following principles:

- The interests of client accounts will at all times be placed first.
- All personal securities transactions will be conducted in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility.
- Access persons must not take inappropriate advantage of their positions.
- Preclearance of access persons' transactions in securities in a limited offering or private placement is required.

Access persons must submit quarterly reports regarding securities transactions and newly opened accounts, as well as annual reports regarding holdings and existing accounts. MAG CAP monitors access persons' personal trading activity at least quarterly to ensure compliance with internal control policies and procedures and our Code of Ethics.

The Code of Ethics does not prevent or prohibit access persons from trading in securities that we may recommend or in which we may invest client assets, but rather prescribes the governing principals relative to the same (see above). As such, it is possible that (1) MAG CAP or its access persons could recommend to clients, or buy or sell for client accounts, securities in which one or more access persons (including MAG CAP or its affiliates) has a material financial interest, (2) access persons (including MAG CAP or its affiliates) could invest in the same securities (or related securities) that we recommend to clients, or (3) MAG CAP (including its affiliates) and its access persons could recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that one or more access

persons (including MAG CAP or its affiliates) buys or sells the same securities for its own account. This presents a potential conflict in that the access person might seek to benefit himself or herself from this type of trading activity in the same securities, either by trading for personal accounts in advance of client trading activity, or otherwise. All such activity must be in strict adherence with our Code of Ethics and must fundamentally place the clients' interests first. Moreover, it is our policy that neither the firm nor its associated persons will have priority over a client's account(s) in the purchase or sale of securities.

We may also combine orders to purchase securities for MAG CAP, its associated persons and/or their families with a client's order to purchase securities ("block trading"). Please refer to Item 12 for more information on block trading. A conflict of interest may exist in these events because we have the ability to trade ahead of clients and may potentially receive more favorable prices (for MAG CAP, its associated persons and/or their families) than the client will receive. To eliminate this conflict of interest, we will make reasonable attempts to trade securities in client accounts at or prior to trading the securities in MAG CAP accounts, or accounts of associated persons and/or their families. Trades executed the same day will likely be subject to an average pricing calculation. Moreover, it is our policy that neither MAG CAP nor its associated persons will have priority over a client's account(s) in the purchase or sale of securities.

Neither MAG CAP nor its associated persons has any material financial interest in client transactions beyond the provision of investment advisory services or other services as disclosed in this Brochure.

MAG CAP does not engage in principal trading (*i.e.*, the practice of selling stock to advisory clients from our inventory or buying stocks from advisory clients into our inventory). Nor does the firm engage in agency cross transactions.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the e-mail or phone number listed on the cover page of this Brochure.

Item 12: Brokerage Practices

MAG CAP will generally not allow advisory clients to determine the broker-dealer to use and the commission costs that will be charged to these clients for securities transactions.

Order Aggregation/Block Trading/Allocations

MAG CAP's advice to certain clients and the action of MAG CAP for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his/her applicable investment objective, guidelines, risk tolerance and circumstances. Thus, any action of MAG CAP with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice or actions of MAG CAP to or on behalf of other clients. MAG CAP acts in accordance with our duty to seek best price and execution and will not continue any arrangements if we determine that such arrangements are no longer in the best interest of our clients.

As MAG CAP may be managing accounts with similar investment objectives, MAG CAP may aggregate orders for securities for such accounts. In this event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by MAG CAP in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

MAG CAP's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account clients' best interests. MAG CAP will follow procedures to ensure that

allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

MAG CAP will aggregate, *i.e.*, "block," trades where possible and when advantageous to clients. We must reasonably believe that the order aggregation will benefit, and will enable us to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price. Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price.

MAG CAP will block trades among clients whose accounts can be traded at a given broker-dealer. MAG CAP's associated persons may be included in a block trade on the same terms and conditions as MAG CAP's clients. Blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, as long as transaction costs are shared equally and on a pro-rata basis between all accounts included in the block. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended exposure. All clients participating in each aggregated order will generally receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro-rata portion of commissions, provided, however, that an adjustment may be appropriate in some circumstances.

Prior to entry of an aggregated order, each client account participating is identified in the order and the proposed allocation of the order, upon completion, to those clients. If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts. Our client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account. Funds and securities for aggregated orders are clearly identified in our records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if MAG CAP believes that a larger size block trade would lead to best overall price for the security being transacted.

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

Transactions for any client account may not be aggregated for execution if the practice is prohibited by the client.

Broker-Dealer Relationships and Benefits

Raymond James

MAG CAP will recommend and request that clients establish brokerage accounts with Raymond James Financial Services, Inc. (RJFS), a FINRA member and SEC registered investment advisor. MAG CAP will establish a custodial and clearing relationship with RJA, a corporate affiliate of RJFS and member of the New York Stock Exchange and the Securities Investor Protection Corporation, acts as the clearing agent in the execution of securities transactions placed through RJFS. MAG CAP will also have a relationship with the Raymond James Investment Advisors Division (IAD). (RJFS, RJA and IAD may individually and collectively sometimes be referred to as "Raymond James.")

Raymond James provides MAG CAP with access to its institutional trading and operations services, which typically are not available to Raymond James retail customers. These services are generally available, without cost, to financial advisory firms who maintain a minimum threshold of client assets with Raymond James.

Services provided by Raymond James may include research (including mutual fund research, third-party research, and Raymond James' proprietary research), brokerage, clearing, custody, and access to mutual funds and other investments that are available only to institutional investors or would require a significantly higher minimum initial investment. In addition, Raymond James may make available software and other technologies that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution; provide research, pricing information, quotation services, and other market data; assist with contact management; facilitate payment of fees to MAG CAP from client accounts; assist with performance reporting; facilitate trade allocation; and assist with back-office support, record-keeping, and client reporting. Raymond James may also provide access to financial planning software, practice management consulting support, best execution assistance, consolidated statements assistance, educational and industry conferences, marketing and educational materials, technological and information technology support, and Raymond James corporate discounts. Many of these services may be used to service all or a substantial number of MAG CAP 's clients' accounts, including accounts not maintained at Raymond James. We may be eligible for a specific schedule of fees based upon our assets under management with Raymond James. We have no discretion to determine the commissions charged by Raymond James.

Raymond James may also provide MAG CAP with other services intended to help MAG CAP manage and further develop its business enterprise, including assistance in the following areas: consulting, publications and presentations, information technology, business succession, and marketing. In addition, Raymond James may make available or arrange and/or pay for these types of services provided by independent third parties, including regulatory compliance. All "soft dollar" benefits we receive from Raymond James are eligible research and brokerage services under section 28(e) of the Securities Exchange Act of 1934.

As stated below and in Item 14, Raymond James may also make available to MAG CAP other products and services that benefit MAG CAP , but may not benefit its clients' accounts.

MAG CAP will utilize Raymond James for custody of customer assets and execution of customer transactions. RJA acts as the clearing agent in the execution of securities transactions placed through RJFS and IAD.

MAG CAP , subject to its best execution obligations, may trade outside of RJFS. In the selection of

broker-dealers, MAG CAP may consider all relevant factors, including the commission rate, the value of research provided, execution capability, speed, efficiency, confidentiality, familiarity with potential purchasers and sellers, financial responsibility, responsiveness, and other relevant factors. MAG CAP may retain and compensate Raymond James to provide various administrative services that include determining the fair market value of assets held in the account at least quarterly and producing a brokerage statement for client detailing account assets, account transactions, receipt and disbursement of funds, interest and dividends received, and account gain or loss by security as well as for the total account.

MAG CAP and Raymond James are not affiliates, and no broker-dealer affiliated with MAG CAP is involved in the relationship between MAG CAP and Raymond James. We do not receive client referrals from Raymond James.

Best Execution

As stated above, MAG CAP will require that its clients establish broker accounts with Raymond James. Such accounts will be "prime broker" eligible so that if and when the need arises to effect securities transactions from those accounts at broker-dealers other than with Raymond James the current custodian ("executing brokers"), such custodian will accept delivery or deliver the applicable security from/to the executing brokers. Raymond James may charge a "trade away" fee which is charged against the client's account(s) for each "trade away" occurrence. MAG CAP receives no part of the trade away fees. Other custodians have their own policies concerning prime broker accounts and trade away fees.

If the client is receiving discretionary advisory services, MAG CAP, pursuant to the terms of its management agreement with clients, will have discretionary authority to determine which securities are to be bought and sold and the price of such securities to effect such transactions. MAG CAP recognizes that the analysis of execution quality involves a number of qualitative and quantitative factors. MAG CAP will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include, but are not limited, to the following:

- The financial strength, reputation and stability of the broker-dealer;
- The efficiency with which the transaction is effected; the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any);
- The availability of the broker-dealer to stand ready to effect transactions of varying degrees of difficulty in the future;
- The efficiency of error resolution, clearance and settlement;
- Block trading and positioning capabilities;
- Performance measurements;
- Online access to computerized data regarding customer accounts;
- Availability, comprehensiveness, and frequency of brokerage and research services;
- Commission rate;
- The economic benefit to the clients; and
- Related matters involved in the receipt of brokerage services.

Consistent with its fiduciary responsibilities, MAG CAP seeks to ensure that clients receive best execution with respect to the clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of MAG CAP's knowledge and due diligence inquiries, Raymond James provides high-quality execution, and MAG CAP's clients will pay competitive rates for such execution. Based upon its own knowledge of the securities industry, MAG CAP believes that Raymond James's

commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

Trade Errors

Where a trade error occurs in a client account due to MAG CAP's error, we will correct the error and ensure the client account does not suffer a loss or incur a transaction cost related to that error. Depending on the nature of the error, we will pay the cost of the error or will cause the custodian or broker-dealer to pay the cost of the error. If the error results in a profit, due to market movement, the client will keep the profit.

Brokerage for Client Referrals

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

Item 13: Review of Accounts

Each account receives, at a minimum, an quarterly review by the financial advisor managing that account. Accounts are reviewed through various means, including telephone calls, in-person meetings, overall strategy reviews, and/or the review of monthly and quarterly statements. Reviews are based on objectives and parameters established by clients, which are generally memorialized through their client management agreements and Investment Policies. More frequent reviews may also be triggered by a change in the client's investment objectives or risk tolerance, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in investment or fund managers, or changes in the economy or financial markets.

Our compliance personnel will also monitor managed and supervised accounts on an ongoing basis to ensure that the advisory services provided to clients are consistent with the clients' circumstances.

Depending on the nature of the engagement, financial plans may not be reviewed until after the plan is delivered. The frequency of plan review will be dependent on the agreement terms. If deemed necessary it may be reviewed quarterly, yearly or some other determinate amount of time. Those reviews will revisit the initial plan and determine if any adjustments need to be made to the objectives. Financial planning, by its nature, does require periodic review. MAG CAP may use software and other tools to assist in generating a financial plan. In that circumstance, MAG CAP will periodically evaluate the software and other tools for effectiveness and accuracy.

With respect to managed accounts, investment advisory clients receive standard account statements from the independent, qualified custodian of their accounts no less frequently than quarterly. The account statements received from the custodian and/or broker-dealer are the official records of the client's account(s).

No on-going financial planning reports are provided for financial planning clients unless a financial plan update or additional services are requested. MAG CAP will update a plan as needed and when objectives or financial situation change.

Item 14: Client Referrals and Other Compensation

Solicitor Arrangements

MAG CAP may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (*i.e.*, this Brochure) and a separate disclosure statement that includes the following information:

- The Solicitor's name and relationship with MAG CAP;
- The fact that the Solicitor is being paid a referral fee for referring the prospective client to MAG CAP;
- The amount of the fee to be paid to the Solicitor; and
- Whether the fee paid by the client will be greater than our standard fee in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by Solicitors are not increased as a result of any referral.

It is our policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from any third-party in conjunction with the advisory services we provide our clients.

Raymond James

Brokerage and Custody Services

As disclosed in item 12 (Brokerage Practices) above, MAG CAP participates in Raymond James' institutional advisor programs, under which MAG CAP is provided with access to Raymond James' institutional trading and custody services, which are typically not available to retail investors. Such services include the execution of securities transactions, 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.

Raymond James may make available to MAG CAP other products and services that benefit us, but that may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Raymond James. Products and services that may assist us in managing and administering our clients' accounts include software and other technology that:

- Provide access to client account data (such as trade confirmations and account statements);
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- Provide research, pricing and other market data;
- Facilitate payment of our fees from clients' accounts; and assist with back-office functions, record keeping and client reporting;
- Receipt of duplicate client statements and confirmations; and
- The ability to have advisory fees deducted directly from our client's accounts.

Other services may be offered to help us manage and further develop our business enterprise. These services may include, but are not necessarily limited to:

- Compliance, legal and business consulting;
- Publications and conferences on practice management and business succession;
- Access to employee benefits providers, human Cap consultants and insurance providers;

- Assistance with back-office functions, record keeping and client reporting; and
- Access to mutual funds with no transaction fees and to certain institutional money managers.

Raymond James may make available, arrange and/or pay third party vendors for the types of services rendered to MAG CAP. Raymond James may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to MAG CAP. Raymond James may also provide other benefits such as educational events or occasional *de minimus* business entertainment of our personnel. All business entertainment will be guided by our Code of Ethics.

Although the above benefits may assist MAG CAP in managing and administering clients' accounts, including those not maintained at a broker-dealer, some of the products and services made available may benefit MAG CAP in managing and developing its business, but may not directly benefit MAG CAP's clients. Clients should be aware, however, that the receipt of economic benefits by MAG CAP and/or its related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of a broker-dealer for custody and brokerage services.

All "soft dollar" benefits we receive from Raymond James are eligible research and brokerage services under section 28(e) of the Securities Exchange Act of 1934.

Item 15: Custody

We have previously disclosed in Item 5 (Fees and Compensation) that MAG CAP may directly debit advisory and other fees from client accounts. As part of this billing process, the independent, qualified custodian of the client's account(s) is advised of the amount of the advisory or other fee to be deducted from the client's account(s). The client will receive account statements from the custodian holding the account(s) at least quarterly. These statements will show all transactions within the account during that reporting period, including the amount of advisory or other fees debited from the client's account(s). Because the custodian does not calculate the amount of the fees to be deducted, it is important for clients to carefully review their account statements to verify the accuracy of the fee calculation, among other things.

A client should contact us directly if he/she believes there is an error or has a question regarding an account statement.

This ability to deduct our fees from a client's account(s) causes us to exercise limited custody over these accounts under applicable law. We do not have, and will not take, physical custody of any clients' funds, securities or assets. Clients' funds, securities and assets will be held with a bank, broker-dealer or independent, qualified custodian.

Item 16: Investment Discretion

When a client hires MAG CAP to provide discretionary investment advisory services, we have the authority to place trades, buy and sell securities on the client's behalf, determine the amount of the securities to buy and sell, and determine the nature and type of securities to buy and sell without obtaining a client's consent or approval prior to each transaction. In some cases, we will have the authority to hire and fire third-party money managers. Clients who give us discretionary authority will give MAG CAP a limited power of attorney and/or trading authorization forms to make the above decisions on the client's behalf.

In certain situations agreed to by MAG CAP, Clients may limit our authority by giving us written instructions, restrictions and guidelines via email communication or other written instructions. For example, a client may specify that the client's account not contain investments in a specific industry. Clients can change such instructions, restrictions and guidelines by providing us with written instructions. The most current written instructions will control. We will not accept instructions via text message or similar instant messaging methods.

If the client enters into a non-discretionary arrangement with MAG CAP for investment advisory, portfolio management services, or retirement plan consulting, we will obtain the client's approval prior to the arranging or execution of any transactions in the account(s). With such an arrangement, the client has the unrestricted right to decline to implement advice provided by us on a non-discretionary basis. If you do not grant us discretionary authority over your accounts, we are limited to make periodic recommendations to you regarding which securities to be purchased or sold and the size of the transactions. You will ultimately be responsible for implementation of those recommendations and the timing of the transaction.

Item 17: Voting Client Securities

Regardless of whether we have discretion over a client's account(s), we will not vote proxies on behalf of any client or respond to any legal notices or class action claims on behalf of a client.

We will instruct the qualified, independent custodian to forward all proxy materials, legal notices and class action information to the client to review and make his or her own informed decision on how to vote. In the event we receive the proxy material, we will forward them directly to the client by mail or by electronic mail (if the client has authorized electronic communication).

Item 18: Financial Information

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

MAG CAP does not have any financial issues that would impair its ability to provide services to clients, and MAG CAP has not been the subject of a bankruptcy petition at any time. We have no additional financial circumstances to report.

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