



**CRD# 114471**

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**March 20, 2024 Brochure**

This brochure provides information about the qualifications and business practices of Three Magnolias Financial Advisors ("Three Magnolias"). If you have any questions about the contents of this brochure, please contact us at (336) 701-1600. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state authority.

Additional information about Three Magnolias also is available on the SEC's website at [www.AdviserInfo.sec.gov](http://www.AdviserInfo.sec.gov). The searchable IARD/CRD number for Three Magnolias is 114471.

## **Item 2 - Summary of Material Changes**

This Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information. In addition, each version will contain a summary of material changes from the previous version. Since our last Brochure dated March 15, 2023, the firm has had the following material changes:

- Please see Item 14 for updated information about promoters.

Consistent with regulations, 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. If you would like a copy of the complete brochure, please let us know and we will be happy to provide one to you at no charge.

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## ***Item 4 - Advisory Business***

### **General Information**

In 2009, Blue Rock Wealth Management, LLC d/b/a Three Magnolias Financial Advisors (formerly known as Blue Rock Advisors, LLC and referred to hereinafter as “Three Magnolias”) succeeded Hunt Collins & Associates which was founded in 2001. Three Magnolias provides financial planning, portfolio management and general consulting services to its clients. At the outset of each client relationship, Three Magnolias spends time with the client, asking questions, discussing the client’s investment experience and financial circumstances, and broadly identifying major goals of the client.

Clients may elect to retain Three Magnolias to prepare a full financial plan. This written report is presented to the client for consideration. In most cases, clients subsequently retain Three Magnolias to manage the investment portfolio on an ongoing basis.

For those financial planning clients making this election, and for other clients who do not need financial planning but retain Three Magnolias for portfolio management services, based on all the information initially gathered, Three Magnolias generally develops with each client:

- a financial outline for the client based on the client’s financial circumstances and goals, and the client’s risk tolerance level (the “Financial Profile”); and
- the client’s investment objectives and guidelines (the “Investment Plan”).

The Financial Profile is a reflection of the client’s current financial picture and a look to the future goals of the client. The Investment Plan outlines the types of investments Three Magnolias will make on behalf of the client in order to meet those goals. The Profile and the Plan are discussed regularly with each client but are not necessarily written documents. Finally, where Three Magnolias provides only limited financial planning or general consulting services, Three Magnolias will work with the client to prepare an appropriate summary of the specific project(s) to the extent necessary or advisable under the circumstances.

### **Financial Planning**

One of the services offered by Three Magnolias is Financial Planning, described below. This service may be provided as a stand-alone service or may be coupled with ongoing portfolio management.

Financial Planning may include advice that addresses one or more areas of a client's financial situation, such as estate planning, risk management, budgeting and cash flow controls, retirement planning, education funding, and investment portfolio design and ongoing management. Depending on a client’s particular situation, financial planning may include some or all of the following:

- Gathering factual information concerning the client's personal and financial situation.
- Assisting the client in establishing financial goals and objectives;
- Analyzing the client's present situation and anticipated future activities in light of the client's financial goals and objectives;

- Identifying problems foreseen in the accomplishment of these financial goals and objectives and offering alternative solutions to the problems;
- Making recommendations to help achieve retirement plan goals and objectives.
- Designing an investment portfolio to help meet the goals and objectives of the client;
- Providing estate planning;
- Assessing risk and reviewing basic health, life and disability insurance needs; or
- Reviewing goals and objectives and measuring progress toward these goals.

Once Financial Planning advice is given, the client may choose to have Three Magnolias implement the client's financial plan and manage the investment portfolio on an ongoing basis. However, the client is under no obligation to act upon any of the recommendations made by Three Magnolias under a Financial Planning engagement and/or engage the services of any recommended professional.

### Portfolio Management

As described above, at the beginning of a client relationship, Three Magnolias meets with the client, gathers information, and performs research and analysis as necessary to develop the client's Investment Plan. The Investment Plan will be updated from time to time when requested by the client, or when determined to be necessary or advisable by Three Magnolias based on updates to the client's financial or other circumstances.

To implement the client's Investment Plan, Three Magnolias will manage the client's investment portfolio on a discretionary or non-discretionary basis, which is decided by the client giving written instruction. By choosing discretionary authority, you may grant Three Magnolias discretion over the amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. For non-discretionary accounts, clients must be contacted prior to the execution of any trade in the account(s) under management. This may result in a delay in executing recommended trades, which could adversely affect the performance of the portfolio. The client retains the responsibility for the final decision on all actions taken with respect to the portfolio.

Three Magnolias will primarily invest in mutual funds, ETF's, annuities, REITs (Real Estate Investment Trusts) and common stock and bonds.

Clients may impose certain written restrictions on Three Magnolias in the management of their investment portfolios, such as prohibiting the inclusion of certain types of investments (e.g., "sin stocks") in an investment portfolio or prohibiting the sale of certain investments held in the account at the commencement of the relationship. Each client should note, however, that restrictions imposed by a client may adversely affect the composition and performance of the client's investment portfolios. Each client should also note that his or her investment portfolio is treated individually by giving consideration to each purchase or sale for the client's account. For these and other reasons, performance of client investment portfolios within the same investment objectives, goals and/or risk tolerance may differ, and clients should not expect that

the composition or performance of their investment portfolios would necessarily be consistent with similar clients of Three Magnolias.

In addition to portfolio management services, in providing asset management services agreed upon with the client, Three Magnolias may retain hereafter ("the sub-adviser"), an investment adviser registered under applicable securities laws, as a sub-adviser to manage all or a portion of the managed assets in the client's account. If this occurs, Three Magnolias will be responsible for the continuing supervision of the client's account, and the actions of the sub-adviser in connection with the client's account and the managed assets. Three Magnolias also will be responsible for the payment of any advisory fee or other charges of the sub-adviser with respect to the managed assets unless or except as specifically authorized in advance by the client. Three Magnolias agrees that upon proper notice by the client, Three Magnolias will refrain from the appointment of, or terminate as permitted under applicable contracts, any sub-adviser appointed pursuant to this authority.

#### General Consulting

In addition to the foregoing services, Three Magnolias may provide general consulting services to clients. These services are generally provided on a project basis, and may include, without limitation, minimal cash flow planning for certain events such as education expenses or retirement, estate planning analysis, income tax planning analysis and review of a client's insurance portfolio, as well as other matters specific to the client as and when requested by the client and agreed to by Three Magnolias. The scope and fees for consulting services will be negotiated with each client at the time of engagement for the applicable project.

#### Principal Owners

Jennifer W. Johnson is the principal owner of Three Magnolias. Please see **Brochure Supplements** for more information on the principal owner and other individuals who formulate investment advice and have direct contact with clients.

#### Type and Value of Assets Currently Managed

As of March 6, 2024, Three Magnolias managed approximately the following:

Discretionary Assets Under Management: \$273,134,000

Non-Discretionary Assets Under Management: \$34,115,000

Total Assets Under Management: \$307,249,000

### ***Item 5 - Fees and Compensation***

#### General Fee Information

Some new clients open accounts with our broker-dealer/custodian Cetera Advisor Networks, LLC, and generally enter into one of two fee arrangements. Preferred Asset Management, or PAM accounts, pay a management fee plus the cost of transactions in the account. Prime Portfolio Services, or PRIME accounts, pay one inclusive fee that covers both management and brokerage expenses. The PRIME accounts are known as "wrap accounts", meaning the management fee and

brokerage expenses are wrapped together in one fee. Therefore, the PRIME fee schedule is higher than the PAM fee schedule. There is a potential conflict of interest in selecting a PAM versus PRIME account, as the IAR is responsible for transaction costs in PRIME accounts and therefore will be compensated less the more the account is traded. This conflict is mitigated by the fact that Registered Investment Advisors have a fiduciary duty to clients and will make decisions in the best interest of the client.

In any case, these fees are separate and distinct from the fees and expenses charged by mutual funds, ETFs (exchange traded funds) or other investment pools to their shareholders (generally including a management fee and fund expenses, as described in each fund's prospectus or offering materials). The client should review all fees charged by funds, brokers, Three Magnolias and others to fully understand the total amount of fees paid by the client for investment and financial-related services.

#### Financial Planning Fees

Financial Planning is normally performed on an hourly basis, at the rate of \$150 per hour. In most instances, a minimum fee of \$500 applies. The fee is due upon presentation of the financial plan to the client.

#### Portfolio Management Fees

The annual fee schedule, based on a percentage of assets under management, is as follows:

##### **Schwab Accounts:**

Accounts held at Schwab are invoiced quarterly in advance. The annual fee schedule for these services is as follows:

Assets Under Management	Annual Fee
First \$2,500,000	1.50%
Next \$2,500,000	1.25%
Next \$5,000,000	1.00%
Balance above \$1,000,000	1.00%

##### **Cetera Advisor Networks, LLC ("Cetera") Accounts:**

New client accounts with Cetera generally enter into one of two fee arrangements described above in "General Fee Information". The specific maximum fee schedules are set forth below.

#### Preferred Asset Management Account Fee

For PAM accounts, the annual fee is charged on a quarterly basis as follows:

Assets Under Management	Annual Fee
First \$50,000	2.75 %
\$50,001 - \$100,000	2.50%
\$100,001- \$250,000	2.00%

\$250,001 - \$500,000	1.75%
\$500,001 - \$1,000,000	1.50%
\$1,000,001 and higher	1.25%

The above schedule for PAM accounts represents the maximum fees charged and is negotiable. This fee is charged quarterly in advance and **does not cover** standard transaction charges imposed by the clearing firm or mutual fund sponsors.

#### PRIME Portfolio Services Account Fee

For PRIME accounts the annual fee is charged on a quarterly basis as follows:

Assets Under Management	Annual Fee
First \$50,000	2.25 %
\$50,001 - \$100,000	2.00%
\$100,001- \$250,000	1.75%
\$250,001 - \$500,000	1.50%
\$500,001 - \$1,000,000	1.25%
\$1,000,001 and higher	1.00%

The above schedule represents the maximum fees charged and is negotiable. This fee is charged quarterly in advance. This fee **includes** standard transaction charges imposed by the clearing firm or mutual fund sponsors.

#### **Accounts Managed by a Sub-Advisor:**

For accounts that are managed by a Sub-Advisor, the fees are as follows:

Assets Under Management	Annual Fee
First \$50,000	1.95 %
\$50,001 - \$100,000	1.75%
\$100,001- \$250,000	1.50%
\$250,001 - \$500,000	1.25%
\$500,001 - \$1,000,000	1.00%
\$1,000,001 and higher	0.75%

The advisory fees above for accounts that are managed by a Sub-Advisor, are fees to Three Magnolias only. There will be additional fees to the Sub-Advisor, and those fees vary depending on the Sub-Advisor selected.

Three Magnolias may impose a minimum portfolio value of \$100,000. Minimum annual fees of \$1,000 may apply. Three Magnolias may, at its discretion, make exceptions to the foregoing or negotiate special fee arrangements where Three Magnolias deems it appropriate under the circumstances.



As mentioned above, portfolio management fees are payable quarterly, either in advance or arrears depending upon custodian of the account. If management begins after the start of a quarter, fees will be prorated accordingly. Fees are normally debited directly from client account(s) unless other arrangements are made.

Either Three Magnolias or the client may terminate their Investment Management Agreement at any time, subject to any written notice requirements in the agreement. A client may terminate an advisory agreement without being assessed any fees or expenses within five (5) days of its signing. In the event of termination, any paid but unearned fees will be promptly refunded to the client, and any fees due to Three Magnolias from the client will be invoiced or deducted from the client's account prior to termination.

#### General Consulting Fees

When Three Magnolias provides general consulting services to clients, these services are generally separate from Three Magnolias' financial planning and portfolio management services. Fees for general consulting are negotiated at the time of the engagement for such services and are normally based on an hourly rate of \$150 and billed monthly in arrears.

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

Three Magnolias does not have any performance-based fee arrangements. "Side by Side Management" refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management and at the same time manages other accounts for which fees are assessed on a performance fee basis. Because Three Magnolias has no performance-based fee accounts, it has no side-by-side management.

#### ***Item 7 - Types of Clients***

Three Magnolias serves individuals, pension and profit-sharing plans, corporations, trusts, estates and charitable organizations. With some exceptions, Three Magnolias may impose a minimum portfolio value of \$100,000 for asset management services. Minimum annual fees of \$1,000 may apply. Under certain circumstances and in its sole discretion, Three Magnolias may negotiate such minimums.

#### ***Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss***

##### Methods of Analysis

In accordance with the Investment Plan, Three Magnolias will primarily invest in mutual funds, ETF's, annuities, REITs (Real Estate Investment Trusts) and common stock and bonds.

Mutual funds and ETFs are generally evaluated and selected based on a variety of factors, including, without limitation, past performance, fee structure, portfolio manager, fund sponsor, overall ratings for safety and returns, and other factors.

In selecting individual stocks for an account, Three Magnolias generally applies traditional fundamental analysis including, without limitation, the following factors:

- o Financial strength ratios;
- o Price-to-earnings ratios;
- o Dividend yields; and
- o Growth rate-to-price earnings ratios

Three Magnolias will incorporate other methods of analysis, such as:

**Technical Analysis** – involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.

**Cyclical Analysis** – is a type of technical analysis that involves evaluating recurring price patterns and trends. Fixed income investments may be used as a strategic investment, as an instrument to fulfill liquidity or income needs in a portfolio, or to add a component of capital preservation. Three Magnolias may evaluate and select individual bonds or bond funds based on a number of factors including, without limitation, rating, yield and duration.

#### Investment Strategies

Three Magnolias' strategic approach is to invest each portfolio in accordance with the Plan that has been developed specifically for each client. This means that the following strategies may be used in varying combinations over time for a given client, depending upon the client's individual circumstances.

Long Term Purchases – securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

Short Term Purchases – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

#### Risk of Loss

While Three Magnolias seeks to diversify clients' investment portfolios across various asset classes consistent with their Investment Plans in an effort to reduce risk of loss, all investment portfolios are subject to risks. Accordingly, there can be no assurance that client investment portfolios will be able to fully meet their investment objectives and goals, or that investments will not lose money.

Below is a description of several of the principal risks that client investment portfolios face.

**Management Risks.** While Three Magnolias manages client investment portfolios based on Three Magnolias' experience, research and proprietary methods, the value of client investment portfolios will change daily based on the performance of the underlying securities in which they

are invested. Accordingly, client investment portfolios are subject to the risk that Three Magnolias allocates assets to asset classes that are adversely affected by unanticipated market movements, and the risk that Three Magnolias' specific investment choices could underperform their relevant indexes.

*Risks of Investments in Mutual Funds, ETFs and Other Investment Pools.* As described above, Three Magnolias may invest client portfolios in mutual funds, ETFs and other investment pools ("pooled investment funds"). Investments in pooled investment funds are generally less risky than investing in individual securities because of their diversified portfolios; however, these investments are still subject to risks associated with the markets in which they invest. In addition, pooled investment funds' success will be related to the skills of their particular managers and their performance in managing their funds. Pooled investment funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940.

*Equity Market Risks.* Three Magnolias will usually invest portions of client assets directly into equity investments, primarily stocks, or into pooled investment funds that invest in the stock market. As noted above, while pooled investments have diversified portfolios that may make them less risky than investments in individual securities, funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (e.g., bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security's prospects.

*Fixed Income Risks.* Three Magnolias may invest portions of client assets directly into fixed income instruments, such as bonds and notes, or may invest in pooled investment funds that invest in bonds and notes. While investing in fixed income instruments, either directly or through pooled investment funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by borrowers), or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity).

*Foreign Securities Risks.* Three Magnolias may invest portions of client assets into pooled investment funds that invest internationally. While foreign investments are important to the diversification of client investment portfolios, they carry risks that may be different from U.S. investments. For example, foreign investments may not be subject to uniform audit, financial reporting or disclosure standards, practices or requirements comparable to those found in the U.S. Foreign investments are also subject to foreign withholding taxes and the risk of adverse changes in investment or exchange control regulations. Finally, foreign investments may involve currency risk, which is the risk that the value of the foreign security will decrease due to changes in the relative value of the U.S. dollar and the security's underlying foreign currency.

### ***Item 9 - Disciplinary Information***

Three Magnolias has no disciplinary events to report.

### ***Item 10 - Other Financial Industry Activities and Affiliations***

Three Magnolias executive officers and associates may also be Registered Representatives of Cetera Advisors Network LLC (“Cetera”), 200 N. Sepulveda Blvd. Ste. 1300, El Segundo, CA 90245-5670, 800/879-8100, a broker/dealer (member FINRA/SIPC) and may receive usual and customary commissions associated with insurance and securities brokerage transactions. These individuals may also be licensed and appointed with various insurance companies for the sale of health, disability, and long-term care and annuity products.

Clients may choose to implement security-related investment advisory recommendations by utilizing the services of any qualified advisory associate of Three Magnolias. Such transactions may be affected through Cetera, since Three Magnolias associates are registered representatives of Cetera. In connection with such transactions, the broker/dealer and the registered representatives may receive compensation, and certain persons may receive compensation not only for investment advisory services, but also for effecting securities transactions to implement such services. Accounts held at Schwab or other custodians will generally have all trades executed by that particular custodian, and no commissions are earned by any associate of Three Magnolias.

Clients are under no obligation to purchase securities, insurance, and/or other products through the resources available to Three Magnolias, its officers, and associated persons. The client is free to choose the source through which to implement advisory recommendations.

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

#### **Code of Ethics and Personal Trading**

Three Magnolias has adopted a Code of Ethics (“the Code”), the full text of which is available to you upon request. Three Magnolias’ Code has several goals. First, the Code is designed to assist Three Magnolias in complying with applicable laws and regulations governing its investment advisory business. Under the Investment Advisers Act of 1940, Three Magnolias owes fiduciary duties to its clients. Pursuant to these fiduciary duties, the Code requires Three Magnolias associated persons to act with honesty, good faith and fair dealing in working with clients. In addition, the Code prohibits associated persons from trading or otherwise acting on insider information.

Next, the Code sets forth guidelines for professional standards for Three Magnolias’ associated persons (managers, officers and employees). Under the Code’s Professional Standards, Three Magnolias expects its associated persons to put the interests of its clients first, ahead of personal

interests. In this regard, Three Magnolias associated persons are not to take inappropriate advantage of their positions in relation to Three Magnolias clients.

Third, the Code sets forth policies and procedures to monitor and review the personal trading activities of associated persons. From time to time Three Magnolias' associated persons may invest in the same securities recommended to clients. Under its Code, Three Magnolias has adopted procedures designed to reduce or eliminate conflicts of interest that this could potentially cause. The Code's personal trading policies include procedures for limitations on personal securities transactions of associated persons, reporting and review of such trading and pre-clearance of certain types of personal trading activities. These policies are designed to discourage and prohibit personal trading that would disadvantage clients. The Code also provides for disciplinary action as appropriate for violations.

#### Participation or Interest in Client Transactions

Because associated persons may invest in the same securities as those purchased in client accounts, Three Magnolias has established a policy requiring its associated persons to pre-clear transactions in these securities with the Chief Compliance Officer. The goal of this policy is to avoid any conflict of interest that may present itself in these situations. Certain securities, such as CD's, treasury obligations and open-end mutual funds are exempt from this pre-clearance requirement. However, in the event of other identified potential trading conflicts of interest, Three Magnolias' goal is to place client interests first.

Consistent with the foregoing, Three Magnolias maintains policies regarding participation in initial public offerings (IPOs) and private placements in order to comply with applicable laws and avoid conflicts with client transactions. If a Three Magnolias associated person wishes to participate in an IPO or invest in a private placement, he or she must submit a pre-clearance request and obtain the approval of the Chief Compliance Officer. If associated persons trade with client accounts (e.g., in a bundled or aggregated trade), and the trade is not filled in its entirety, the associated person's shares will be removed from the block, and the balance of shares will be allocated among client accounts in accordance with Three Magnolias' written policy.

### ***Item 12 - Brokerage Practices***

#### Best Execution and Brokerage Practices

Three Magnolias seeks "best execution" for client trades, which is a combination of a number of factors, including, without limitation, quality of execution, services provided and commission rates. Therefore, Three Magnolias may use or recommend the use of brokers who do not charge the lowest available commission in the recognition of research and securities transaction services, or quality of execution. Research services received with transactions may include proprietary or third-party research (or any combination) and may be used in servicing any or all of Three Magnolias' clients. Therefore, research services received may not be used for the account for which the particular transaction was affected.

Three Magnolias may recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. (Schwab), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets. Three Magnolias may also affect trades for client accounts at Schwab, or may in some instances, consistent with Three Magnolias' duty of best execution and specific agreement with each client, elect to execute trades elsewhere. Although Three Magnolias may recommend that clients establish accounts at Schwab, it is ultimately the client's decision to custody assets with Schwab. Three Magnolias is independently owned and operated and is not affiliated with Schwab.

Schwab provides Three Magnolias with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as Three Magnolias maintains a pre-established minimum amount of client assets in accounts at Schwab Advisor Services. Schwab's brokerage 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.

For Three Magnolias client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Schwab Advisor Services also makes available to Three Magnolias other products and services that benefit Three Magnolias but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Three Magnolias accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist Three Magnolias in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of Three Magnolias' fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Advisor Services also offers other services intended to help Three Magnolias manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Three Magnolias. Schwab Advisor Services 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 Three Magnolias. Schwab Advisor Services may also provide other benefits such as educational events or occasional business entertainment of Three Magnolias personnel. In evaluating whether to recommend that clients custody their assets at

Schwab, Three Magnolias may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Three Magnolias also participates in the Institutional service program of Cetera. While there is no direct link between the investment advice Three Magnolias provides and participation in the Cetera program, Three Magnolias receives certain economic benefits from the program. These benefits may include software and other technology that provides access to client account data (such as trade confirmations and account statements), facilitates trade execution (and allocation of aggregated orders for multiple client accounts), provides research, pricing information and other market data, facilitates the payment of Three Magnolias' fees from its clients' accounts, and assists with back-office functions, recordkeeping and client reporting. Many of these services may be used to service all or a substantial number of Three Magnolias' accounts, including accounts not held at Cetera. Cetera may also make available to Three Magnolias other services intended to help Three Magnolias manage and further develop its business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Cetera may make available, arrange and/or pay for these types of services to be rendered to Three Magnolias by independent third parties. Cetera may discount or waive fees it would otherwise charge for some of these services, pay all or a part of the fees of a third-party providing these services to Three Magnolias, and/or Cetera may pay for travel expenses relating to participation in such training. Finally, participation in the Cetera program provides Three Magnolias with access to mutual funds which normally require significantly higher minimum initial investments or are normally available only to institutional investors.

The benefits received through participation in the Cetera program does not necessarily depend upon the proportion of transactions directed to Cetera. The benefits are received by Three Magnolias, in part because of commission revenue generated for Cetera by Three Magnolias' clients. This means that the investment activity in client accounts is beneficial to Three Magnolias, because Cetera does not assess a fee to Three Magnolias for these services. This creates an incentive for Three Magnolias to continue to recommend Cetera to its clients. A potential conflict of interest exists because advisory fees earned by Three Magnolias and paid by Cetera are dependent on Three Magnolias' total assets under management. While it may be possible to obtain similar custodial, execution and other services elsewhere at a lower cost, Three Magnolias believes that Cetera provide an excellent combination of these services.

#### Aggregated Trade Policy

Three Magnolias typically directs trading in individual client accounts as and when trades are appropriate based on the client's Investment Plan, without regard to activity in other client accounts. However, from time to time, Three Magnolias may aggregate trades together for multiple client accounts, most often when these accounts are being directed to sell the same securities at the same time. If such an aggregated trade is not completely filled, Three Magnolias will allocate shares received (in an aggregated purchase) or sold (in an aggregated sale) across

participating accounts on a pro rata or other fair basis; provided, however, that any participating accounts that are owned by Three Magnolias or its officers, directors, or employees will be excluded first.

### ***Item 13 - Review of Accounts***

Managed portfolios are reviewed at least quarterly but may be reviewed more often if requested by the client, upon receipt of information material to the management of the portfolio, or at any time such review is deemed necessary or advisable by Three Magnolias. These factors may include, but are not limited to, the following: change in general client circumstances (marriage, divorce, retirement); or economic, political or market conditions. Accounts are reviewed by the advisory representative of record for the account.

For those clients to whom Three Magnolias provides separate financial planning and/or consulting services, reviews are conducted on an as needed or agreed upon basis. Such reviews are conducted by one of Three Magnolias' investment adviser representatives or principals.

Account custodians are responsible for providing monthly or quarterly account statements which reflect the positions (and current pricing) in each account as well as transactions in each account, including fees paid from an account. Account custodians also provide prompt confirmation of all trading activity, and year-end tax statements, such as 1099 forms. Three Magnolias will provide additional written reports as needed or requested by the client.

### ***Item 14 - Client Referrals and Other Compensation***

Our firm may engage in promoter arrangements for client referrals. These individual promoters offer our services to the public. The Firm pays a referral fee to the promoter based on a portion of the management fees charged by the Firm and memorialized in a written agreement ("Promoter Agreement"). In all cases, the Firm will comply with the cash solicitation rules established by the SEC, state regulators and the client disclosure requirements. If a referred prospective client enters into an investment advisory agreement with the Firm, a referral fee is paid to the referring party. The referral relationship will not result in clients being charged any fees over and above the normal advisory fees charged for the advisory services provided. The Firm will pay the promoter their share of the total fee. The Promoter Agreement requires that the promoter be appropriately registered under federal and state securities laws where applicable. Clients receive all related agreements and disclosures prior to or at the time of entering into an Investment Advisory Agreement with the Firm.

### ***Item 15 – Custody***

Any investment advisor having custody or access to customer funds or securities must comply with certain rules and regulations designed to protect the clients' assets. Rule 206(4)-2 of the Investment Advisers Act of 1940 details strict requirements governing investment advisors that



have “custody” over client securities or funds. Three Magnolias exercises limited custody due to the following circumstances:

- Three Magnolias directly debits fees from client accounts

Three Magnolias does not have physical custody of any client funds and/or securities. Client funds and securities will be held with a bank, broker dealer, or other independent qualified custodian. You will receive account statements from the independent, qualified custodian holding your funds at least quarterly. The account statement from your custodian will indicate the amount of advisory fees deducted from your account(s) each billing cycle. Clients should carefully review statements received from the custodian.

Schwab and Cetera are the custodians of nearly all client accounts at Three Magnolias. From time to time; however, clients may select an alternate broker to hold accounts in custody. In any case, it is the custodian’s responsibility to provide clients with confirmations of trading activity, tax forms and at least quarterly account statements. Clients are advised to review this information carefully, and to notify Three Magnolias of any questions or concerns. Clients are also asked to promptly notify Three Magnolias if the custodian fails to provide statements on each account held.

From time to time and in accordance with Three Magnolias’ agreement with clients, Three Magnolias will provide additional reports. The account balances reflected in these reports should be compared to the balances shown on the brokerage statements to ensure accuracy. At times there may be small differences due to the timing of dividend reporting and pending trades.

#### Standing Letters of Authorization

Some clients may execute limited powers of attorney or other standing letters of authorization that permit the firm to transfer money from their account with the client’s independent qualified Custodian to third-parties. This authorization to direct the Custodian may be deemed to cause our firm to exercise limited custody over your funds or securities and for regulatory reporting purposes, we are required to keep track of the number of clients and accounts for which we may have this ability. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate any transfers that may have taken place within your account(s) each billing period. You should carefully review account statements for accuracy.

#### ***Item 16 - Investment Discretion***

Before Three Magnolias can buy or sell securities on your behalf, the client must first sign our discretionary management agreement, a limited power of attorney, and/or trading

authorization forms. By choosing to do so, the client may grant the firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. Clients may impose limitations on discretionary authority, such as frequency of trading, restrictions on investing in certain securities or types of securities (such as a product type, specific companies, specific sectors, etc.), as well as other limitations as expressed by the client. Limitations on discretionary authority are required to be provided to the IAR in writing.

#### ***Item 17 - Voting Client Securities***

As a policy and in accordance with Three Magnolias' client agreement, Three Magnolias does not vote proxies related to securities held in client accounts. The custodian of the account will normally provide proxy materials directly to the client. Clients may contact Three Magnolias with questions relating to proxy procedures and proposals; however, Three Magnolias generally does not research particular proxy proposals. For accounts managed under PAM and PRIME agreements with Cetera, however, Cetera may vote proxies on behalf of client accounts.

#### ***Item 18 - Financial Information***

Three Magnolias does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore has no disclosure required for this item.