

SEC Form ADV Part 2A

“Brochure”

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This brochure provides information about the qualifications and business practices of **LM Capital Group, LLC**. If you have any questions about the contents of this brochure, please contact us by telephone at 619-814-1401 x107 or by email at jfrankel@lmcapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about **LM Capital Group, LLC** is also available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by using a unique identifying number, known as a CRD number. Our firm's CRD number is 120277.

Item 2 – Material Changes

There have been no material changes since the last annual update, dated March 15, 2016. Notwithstanding, other non-material changes have been made to this brochure. Consequently, we advise our client's to read this brochure in its entirety.

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Item 4 – Advisory Business

A. Description of Advisory Firm

LM Capital Group, LLC (hereinafter referred to as “LM Capital” or the “Firm”) was founded in 1989 and is an independent investment adviser registered with and supervised by the Securities and Exchange Commission (hereinafter referred to as the “SEC”). LM Capital’s principal place of business is located in San Diego, California.

Listed below are the firm’s principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- Luis Maizel, Sr. Managing Director – 46.6%
- John Edward Chalker, Managing Director - 36.8%

B. Types of Advisory Services

LM Capital offers the following advisory services to our clients:

INVESTMENT SUPERVISORY SERVICES (“ISS”) INDIVIDUAL PORTFOLIO MANAGEMENT

While LM Capital manages seven distinct model portfolio’s (see descriptions below under “Model Portfolio Management”), our firm’s Portfolio Managers are able to tailor a portfolio specifically to suit an institutional client’s directed mandate and/or an individual client’s investment guidelines or restrictions.

Our investments are not limited to any specific product or service offered by a broker - dealer or insurance company and will generally include the following securities: U.S. Government Securities, Corporate Debt Securities, Commercial Paper, Certificates of Deposit, Municipal Securities, Futures Contracts on tangibles and intangibles.

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client’s stated investment objectives, tolerance for risk, liquidity and suitability and within client directed investment guidelines, where applicable.

Each institutional client of LM Capital may provide investment guidelines which the Portfolio Managers and Traders of the firm must adhere to.

INVESTMENT SUPERVISORY SERVICES ("ISS") MODEL PORTFOLIO MANAGEMENT

LM Capital provides fixed income investment management services to the institutional investor using seven separate investment strategies. Each model portfolio is designed to meet a particular investment goal and/or client directed mandate. These client portfolios are managed as Separately Managed Accounts (SMA's).

Opportunistic Core (Core Plus) Composite contains a fully discretionary fixed income account based in US Dollars and for comparison reasons is measured against the Barclay's Capital US Aggregate Index. The Opportunistic Core portfolio is comprised of Treasuries, agencies, investment grade corporate issues, mortgage backed securities, US high yield, dollar denominated Emerging Market Debt and non - US Dollar denominated issues.

Core Composite contains a fully discretionary fixed income account based in US Dollars and for comparison reasons is measured against the Barclay's Capital US Aggregate Index. The Core portfolio is comprised of Treasuries, agencies, investment grade corporate issues and may include mortgage backed securities.

Intermediate Composite contains a fully discretionary fixed income account based in US Dollars and for comparison reasons is measured against the Barclay's Capital Intermediate G/C Index. The Intermediate portfolio generally includes securities between 5-10 years in maturity and are comprised of Treasuries, agencies and investment grade corporate issues.

Short Term Composite contains a fully discretionary fixed income account based in US Dollars and for comparison reasons is measured against the Merrill Lynch 1-3 G/C Index. The Short Term Portfolio generally consists of securities with less than 5 years in maturity and are comprised of Treasuries, agencies and investment grade corporate issues rated A/A2 or better.

Enhanced Return Composite contains a fully discretionary fixed income account based in US Dollars and for comparison reasons is measured against the Barclay's Capital US Aggregate Index. Enhanced Return portfolio is comprised of Treasuries, agencies, investment grade corporate issues, mortgage backed securities, US high yield, dollar denominated Emerging Market Debt, US Municipal, ABS/CMBS, Preferred Equity and non -

US Dollar denominated issues. The use of futures contracts to hedge interest rate and foreign currency exposure may be also utilized.

Opportunistic Credit Composite contains fully discretionary fixed income accounts based in US Dollars and for comparison reasons is measured against the Barclay's Intermediate Credit Index. The Opportunistic Credit fixed income portfolio is comprised of investment grade corporate issues, US High Yield, US Dollar denominated Emerging Market Debt, US Municipal, ABS/CMS, convertible issues and non-Dollar denominated credit investment grade issues. The use of futures contracts to hedge interest rate and foreign currency exposure may be also utilized.

Emerging Market Debt Composite contains fully discretionary fixed income accounts and for comparison reasons is measured against The Bloomberg Barclays Emerging Markets USD Aggregate Index. The LM Capital Group, LLC. Emerging Market Debt fixed income portfolios are comprised of; US Dollar denominated Emerging Market Debt Corporate and Sovereign Securities, non-Dollar corporate and sovereign denominated securities and Emerging Market Supranational Agency Securities. The portfolios may also hold positions in US Treasury Bonds as well as cash or similar short term instruments.

We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), in addition to client instructed investment guidelines. Clients have the opportunity to place reasonable restrictions on the types of investments to be held in their account. Clients retain individual ownership of all securities.

Each institutional client of LM Capital may provide investment guidelines which the Portfolio Managers and Traders of the firm must adhere to.

Our investment recommendations are not limited to any specific product or service offered by a broker dealer or insurance company and will generally include investments regarding the following securities:

- Corporate debt securities
- Commercial paper
- Certificates of deposit
- Municipal securities
- United States governmental securities
- Preferred Equities
- Asset Backed Securities
- Commercial Mortgage Backed Securities
- Futures contracts on tangibles

→ Futures contracts on intangibles

To ensure that the account continues to be managed in a manner consistent with the client's financial circumstances, we will:

1. at least annually, contact each participating client to determine whether there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose investment restrictions or modify existing restrictions;
2. be reasonably available to consult with the client;
3. maintain client suitability information and client investment guidelines in each client's file;
4. maintain a copy of an Investment Management Agreement (hereinafter "IMA") for each client; and
5. review each client portfolio at least monthly to insure adherence to client investment guidelines and review portfolio holdings.

C. Wrap Fee Programs

LM Capital does not currently participate in any wrap fee program.

D. Amount of Managed Assets

As of 12/31/2016, we are actively managing \$4,973,727,341 of client assets all on a discretionary basis.

Item 5 – Fees and Compensation

INVESTMENT SUPERVISORY SERVICES ("ISS") MODEL PORTFOLIO MANAGEMENT FEES

Our annual fees for Model Portfolio Management Services are based upon a percentage of

assets under management and generally range from 5 BPS to 40 BPS.

MODEL PORTFOLIO MANAGEMENT FEES

The annualized fee for Model Portfolio Management Services is charged as a percentage of assets under management and depending on portfolio strategy, according to the following schedule. These fees are subject to negotiation.

Assets under Management	Annual Fee
First \$25 million	Up to 40 Basis Points
Next \$25 million	25 Basis Points
Next \$50 million	20 Basis Points
Over \$100 million	15 Basis Points
Over \$200 million	10 Basis Points
Over \$500 million	5 Basis Points

Clients are invoiced in arrears at the end of each calendar quarter based upon the value (market value or fair market value in the absence of market value, plus any credit balance or minus any debit balance), of the client's account at the end of the previous quarter.

A minimum of \$20,000,000.00 in assets under management is required for this service. This account size may be negotiable under certain circumstances. LM Capital may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

MUTUAL FUND PORTFOLIO MANAGEMENT FEES

LM Capital charges an asset-based fee for this service. The fee arrangement, termination and refund policies are described in the Mutual Fund's prospectus and Statement of Additional Information (hereinafter referred to as the "SAI").

Portfolio management clients of our firm who also invest in the **LM Capital Opportunistic Bond Fund** will pay only those fees charged to investors by the Mutual Fund, i.e., the value of the client's investment in the Mutual Fund is excluded from our quarterly portfolio management fee calculation.

Performance - Based Fees

LM Capital does not typically utilize or recommend a "performance - based" fee schedule for its institutional clients.

The fees charged for this service will be determined by the client's individual circumstances and will never exceed 25% of the account's performance above an appropriate index. The inclusion of a performance based fee schedule is agreed upon prior to entering into this type of arrangement and is detailed in the client's IMA and/or contract.

The percentage of assets under management is billed quarterly, in arrears.

The client must understand the proposed method of compensation and its risks prior to entering into the contract. Accordingly, clients paying performance-based fees are directed to the "Performance-Based Fees" section (Item 6) below for more comprehensive disclosures, including potential conflicts of interest resulting from this type of compensation.

In measuring the client's assets for the calculation of performance-based fees, LM Capital shall include: for securities for which market quotations are readily available, the realized capital losses and unrealized capital losses of securities over the period and, if the unrealized capital appreciation of the securities over this period is included, the unrealized capital depreciation of securities over the period.

Although the performance-based fee may create an incentive for LM Capital to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement, LM Capital still must adhere to client mandated investment guidelines and overall investment strategy of the portfolio.

PERFORMANCE-BASED FEES WILL ONLY BE CHARGED IN ACCORDANCE WITH THE PROVISIONS OF REG. 205-3 OF THE INVESTMENT ADVISERS ACT OF 1940 (hereinafter referred to as the "Advisers Act") AND/OR APPLICABLE STATE REGULATIONS. THE FEES WILL NOT BE OFFERED TO ANY CLIENT RESIDING IN A STATE IN WHICH SUCH FEES ARE PROHIBITED.

Clients are invoiced in arrears at the end of each calendar quarter based upon the value (market value or fair market value in the absence of market value, plus any credit balance or minus any debit balance), of the client's account at the end of the previous quarter.

Limited Negotiability of Advisory Fees: Although LM Capital has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client by client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

GENERAL INFORMATION

Termination of the Advisory Relationship: A client agreement may be cancelled at any time, by either party, for any reason, upon receipt of 30 days written notice. Upon termination of an account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

Additional Fees and Expenses: In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s).

Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

Grandfathering of Minimum Account Requirements: Pre-existing advisory clients are subject to LM Capital's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

ERISA Accounts: LM Capital is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act (hereinafter referred to as "ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid

engaging in prohibited transactions, LM Capital may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset LM Capital's advisory fees.

Advisory Fees in General: Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

Limited Prepayment of Fees: Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

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

As we disclosed in Item 5 of this Brochure, our firm accepts a performance-based fee from the client. Such performance-based fee is calculated per the direction of the client, and must be approved, prior to the IMA being signed, by both the client, and LM Capital Principals.

Clients should be aware that performance-based fee arrangements may create an incentive for us to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. Notwithstanding, all investments made in any client account must adhere to specific client investment guidelines and LM Capital Group firm security restrictions.

Furthermore, because we also have clients who do not pay performance-based fees, we have an incentive to favor accounts that pay such fees, because the compensation that we receive from these clients is more directly tied to the performance of their accounts.

Item 7 – Types of Clients

LM Capital typically provides advisory services to the following types of clients:

- High net worth individuals
- Investment companies
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above

- State or municipal government entities
- Foundation and Endowment funds
- Taft - Hartley Plans

LM Capital requires a \$20 million dollar account size for investment in all of its fixed income investment Separately Managed Accounts (SMA's).

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

A. Methods of Analysis

LM Capital believes in a global approach to managing fixed income securities, based upon a fundamental, top-down analysis of global macroeconomic factors. Interest rates represent the cost of money and are driven by the world wide supply and demand for funds.

Our Investment Philosophy and Process allows us to:

- a. Be globally comprehensive in our analysis;
- b. Identify the most attractive fixed income opportunities; and
- c. Focus on long term interest rate trends and a "total return" objective for our client's portfolios.

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

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).

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.

Technical Analysis. We 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 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.

Quantitative Analysis. We use mathematical models 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.

Qualitative Analysis. We 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 in using qualitative analysis, is that our subjective judgment may prove incorrect.

Asset Allocation. Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of fixed income securities and cash suitable to the client's investment goals and mandate, while adhering to specific client investment guidelines, when applicable.

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.

Emerging Market Debt. We research and evaluate bonds issued by less developed countries. LM Capital performs analyses of economic indicators, vulnerabilities, flows, trends, governmental stability and central bank activity of the developing countries. Issuance of Emerging Markets Debt (hereinafter referred to as "EMD") has increased dramatically over the past decade, due to increasing stability in global growth and more favorable supply/demand dynamics, which have supported firming commodity prices. EMDs, which are primarily issued by sovereign issuers, have historically been issued in foreign currencies (external debt), either [US Dollars](#) or [Euros](#) (hard currency versus local currency). In recent years, however, the development of [pension](#) systems in certain developing countries has led to increasing issuance in local currencies.

LM Capital has entered into an agreement with iMarkServ Ltd., an established financial and market research firm that is part of IL&FS Group (a large infrastructure and financial services company in India). iMarkServ specializes in research of EMDs, which LM Capital will pair with an in-house Economist/Strategist and Senior Investment Analyst to expand the firm's research and investment capabilities into this area.

The risk of investment in EMD, is that the outlook for individual nations is constantly changing. Developing countries face challenges including infrastructure bottlenecks, credit issues, social/civil unrest and political shifts.

Risks for all forms of analysis. Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate 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 or misleading information.

B. Investment Strategies

We use the following strategies in managing client accounts, provided that such strategies are suitable for the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

Long - term purchases. We purchase securities with the idea of holding them in the client's account for 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 advantage 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.

Short-term purchases. When utilizing this strategy, we purchase securities with the design of selling them within a relatively short time (typically a year or less). 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.

C. Risk of Loss

Every investor faces risk of loss that can take various forms. The most basic risk faced by all investors is **market risk**. This refers to the risk that the market for an asset class declines in value and affects all securities in that asset class in a similar way. When pursuing strategic long-term investing strategies we are assuming the financial markets will go up in the long-term, which may not be the case. Market risk applies to any asset class, not just stocks. It is a risk that cannot be eliminated even by diversification. A related form of risk of loss is **variability of returns**. This refers to the risk that the client's investments will fluctuate in value over time and may be worth less than the original investment when sold or redeemed, even if the long-term trend has been upward. Financial markets and a client's specific investment may experience varying degrees of volatility and fluctuation in value. While we attempt to mitigate these risks by using asset allocation strategies, asset allocation involves assumptions based on the historical performance of different asset classes. There is a risk that an asset class does not perform in a similar way, or that the assumptions on which we rely may be proved incorrect in the future. Consequently, there is no guarantee that an asset allocation strategy will meet its investment objective or that a portfolio will not suffer losses.

Securities investments are not guaranteed and clients may lose money on investments. LM Capital asks that they work with the Firm to help us understand their tolerance for risk. Asset allocation and diversification are the primary tools for controlling risk. We seek to ensure that our clients' mix of assets (cash equivalents, bonds, and equities) is appropriate for their temperament, desire for growth, tolerance of risk, need for liquidity, etc.

The review of material risks provided above is not meant to be a complete description of every risk that may be applicable. All investment activities involve a high degree of risk, including the possible risk of loss of an investor's entire investment. The information contained herein is a summary only.

Item 9 – Disciplinary Information

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of Covington or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

Our firm and our related persons are not engaged in other financial industry activities and have no other industry affiliations.

A member of our firm's management is separately licensed as an investment adviser representative of LM Advisors LLC (hereinafter referred to as "LM Advisors"). LM Advisors works with high-net worth individuals and poses no conflict of interest with LM Capital Group, LLC. In that capacity, this individual provides advisory services through LM Advisors. The advisory services delivered by LM Advisors are distinct from those provided by our firm, which manages only institutional accounts and are provided for separate compensation. There are no referral fee arrangements between our firm and LM Advisors. No LM Capital client is obligated to use LM Advisors or its services.

We may occasionally, although rarely, trade the same or similar securities in client portfolios that are traded by LM Advisors in its client portfolios. When this occurs, our clients may receive a better or worse price or execution than LM Advisors, depending upon the order of trade execution, the type of security traded and the broker-dealer used. There are two separate trading desks that execute orders for LM Advisors clients and LM Capital clients, respectively. In addition there are two separate and distinct departments responsible for handling the operational processes for each firm's respective client's.

As required, any affiliated investment advisers are specifically disclosed in Section 7.A on Schedule D of Form ADV, Part 1. (Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.)

Neither LM Capital, nor our management personnel are registered or have an application pending to register as a broker-dealer or as a registered representative of a broker-dealer.

Neither LM Capital nor our management persons are registered or have an application pending to register as a futures commission merchant, commodity pool operator, commodity trading advisor, or as an associated person of the foregoing entities.

Item 11 – Code of Ethics

A. Code of Ethics

LM Capital has adopted a Code of Ethics (hereinafter referred to as the “Code”) in accordance with Rule 204A-1 of the Advisers Act. The purpose of the Code is to set forth certain key guidelines that have been adopted by us and to specify the responsibility of our personnel to act in accordance with their fiduciary duty to our clients and to comply with applicable federal and state laws and regulations. The Code requires that all employees conduct themselves in accordance with the highest ethical standards, which should be premised on the concepts of integrity, honesty and trust. The Code additionally includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons must acknowledge the terms of the Code of Ethics.

Our Code is updated when necessary and reviewed by the firm's Chief Compliance Officer and Senior Management of the firm. The last update to the Code took place in January of 2017. Each employee of LM Capital must annually acknowledge, in writing, their ability to access to the firm's Code of Ethics as well as their adherence to it.

LM Capital and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code but to the general principles that guide the Code.

Our Code includes policies and procedures for the review of monthly and quarterly securities transactions as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code provides for oversight of firm books and record keeping provisions, a conflict of interest policy, a standard for business conduct and policy regarding the use of social media and advertising.

LM Capital's Code further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to both our advisory clients and prospective clients.
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You may request a copy by email sent to jfrankel@lmcapital.com, or by calling us at 619-814-1401.

B. Investment in Securities Recommended to Clients

Our Code is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transactions being implemented for an advisory account, thereby preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as an investment adviser representatives of another registered investment adviser. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

Item 12 – Brokerage Practices

LM Capital Group, LLC. does not have any soft dollar arrangements and does not receive any soft dollar benefits.

LM Capital exercises full discretion in the management of its client portfolios. This includes the selection of broker-dealers it will chose to execute trades with. LM Capital does not have any affiliated broker-dealer relationships. Clients may include limitations on this discretionary authority in a written authority statement or as part of the IMA, signed by the client and LM Capital. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

LM Capital will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute trades in a timelier, more equitable manner, and at an improved security price. LM Capital will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. LM Capital's block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with LM Capital, or our firm's order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable LM Capital 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.
- 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) 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.

- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro-rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the dollar amount of securities traded for each client.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
- 8) LM Capital's 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.
- 9) Funds and securities for aggregated orders are clearly identified on LM Capital's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- 10) No client or account will be favored over another.

Item 13 – Review of Accounts

The underlying securities within Model Portfolio Management Services accounts are continually monitored. Correspondingly, these accounts are reviewed daily, when transactions are placed in a client portfolio and at least monthly otherwise. Accounts are reviewed in the context of the investment objectives and guidelines of each model portfolio, as well as any investment restrictions provided by the client, when applicable. More frequent reviews may be triggered by client request, material changes in variables such as the client's individual circumstances, or the market, political or economic environments.

These accounts are reviewed by: John Chalker - Managing Director; Mario Modiano - Sr. Portfolio Manager; Rachel Wilson - Director of Fixed Income Trading; Jeff Frankel - Chief Compliance Officer.

REPORTS: In addition to the monthly statements and confirmations of transactions that clients receive from their custodian, LM Capital provides reports summarizing account performance, balances and holdings. Based upon client request, reports can be provided as often as daily, but will generally be provided on at least a monthly basis. These reports will

also remind the client to notify us if there have been changes in the client's financial situation or investment objectives and whether the client wishes to impose investment constraints or modify existing restrictions.

VERIFICATION: On a quarterly basis, LM Capital's client accounts and strategy (composite) performance calculations are verified by a third party firm, Ashland Partners, LLP, to ensure that the firm is compliant with GIPS accounting standards.

Item 14 – Client Referrals and Other Compensation

It is LM Capital's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is LM Capital's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

Item 15 – Custody

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on at least a monthly basis. Clients may instruct additional reports on a daily and weekly basis if necessary. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Our firm does not have actual or constructive custody of client accounts.

Item 16 – Investment Discretion

LM Capital usually receives discretionary authority from the client at the outset of an advisory relationship, to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account, as set forth in our agreements with the Client.

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign an IMA with our firm and may limit this authority by giving us further written instructions. Clients may also change/amend such limitations, at any time, by providing us with further written instructions.

Item 17 – Voting Client Securities

LM Capital acts as a discretionary adviser for its clients. LM Capital's authority to vote proxies or act with respect to other shareholder actions is established owing to the delegation of discretionary authority under LM Capital's investment advisory contracts.

LM Capital will vote proxies in the best interests of our clients and in accordance with our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting Jeff Frankel - Chief Compliance Officer by telephone, email, or in writing. Clients may request, in writing, information on how proxies for their shares were voted. If any client requests a copy of our complete proxy policies and procedures or how the firm voted proxies for their account, we will promptly provide such information to the client.

A Managing Director of LM Capital is responsible for assuring material conflicts are identified and disclosed. LM Capital proxy voting policies and procedures are designed to enable the firm to resolve material conflicts of interest before voting their proxies.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's accounts, including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to

transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct us to vote a proxy in a particular manner, clients should contact Jeff Frankel - Chief Compliance Officer, by telephone, email, or in writing.

Clients may instruct LM Capital to vote proxies according to particular criteria (*ie.*, to always vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover). These requests must be made in writing. Clients may also instruct the firm on how to cast a vote in a particular proxy contest, by contacting us at (619) 814-1401.

Please note, that as a fixed income asset manager, we are rarely required to vote proxies.

Item 18 – Financial Information

Registered investment advisers are required in this Item to furnish certain financial information or disclosures about the firm's financial condition.

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client, more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. LM Capital has no additional financial circumstances to report. The firm undergoes an full annual financial audit of its business on an annual basis. LM Capital's fiscal year ends on December 31st annually.

LM Capital Group, LLC has not been the subject of a bankruptcy petition at any time during the past ten years.