

Part 2A of Form ADV: *Firm 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 at 619-814-1401 or dmadruga@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.

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

Item 2 Material Changes

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 04/9/2012, is our new disclosure document prepared according to the SEC's new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, 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.

Consistent with the new 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.

Material Change - April 2011.

On April 8, 2011, LM Capital Group, LLC. completed a buyback of its minority equity position from Strategic Investemnt Group Ventures, LLC (SIGV), a joint venture between the State of California Public Employees' Retirement System (CalPERS) and Strategic Investment Group. The buyback involved a 35% minority interest held by SIGV since April 2002.

Item 3	Table of Contents	Page
Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	7
Item 6	Performance-Based Fees and Side-By-Side Management	9
Item 7	Types of Clients	10
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	10
Item 9	Disciplinary Information	12
Item 10	Other Financial Industry Activities and Affiliations	12
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	13
Item 12	Brokerage Practices	14
Item 13	Review of Accounts	15
Item 14	Client Referrals and Other Compensation	16
Item 15	Custody	16
Item 16	Investment Discretion	16
Item 17	Voting Client Securities	17
Item 18	Financial Information	18

Item 4 Advisory Business

LM Capital Group, LLC. is a SEC-registered investment adviser (SEC # 801-61100) with its principal place of business located in San Diego, CA. LM Capital Group, LLC. began conducting business in 1989.

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 - 42.5%
- John Edward Chalker, Managing Director - 42.5%

LM Capital Group, LLC. offers the following advisory services to our clients:

INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT

While LM Capital Group, LLC manages four distinct model portfolio's (see descriptions below under "Model Portfolio Management"), our firms Portfolio Managers can tailor a portfolio to specifically fit an institutional clients directed mandate and/or specific client's investment guidelines or restrictions instructed by the client.

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 Group, LLC 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 Group, LLC. provides fixed income investment management services to the institutional investor using four separate investment strategies. Each model portfolio is designed to meet a particular investment goal and/or client directed mandate.

Opportunistic Core (Core Plus) Composite contains a fully discretionary fixed income account based in US Dollars and for comparison reasons is measured against the Barclays 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 Barclays 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 Barclays 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 Barclays 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.

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 Group, LLC 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 Managers Agreement (IMA) for each client
5. review each client portfolio at least monthly to insure adherence to client investment guidelines and review portfolio holdings.

AMOUNT OF MANAGED ASSETS

As of 3/31/2012, we are actively managing \$4,551,886,495 of clients' assets 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.

<u>Assets Under Management</u>	<u>Annual Fee</u>
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 \$10,000,000.00 of assets under management is required for this service. This account size may be negotiable under certain circumstances. LM Capital Group, LLC. may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

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

Performance-Based Fees

LM Capital Group, LLC does not typically utilize or recommend a "performance-based" fee schedule for its institutional clients. However, we currently manage accounts for 2

institutional clients whom, at their discretion, have added a performance based fee schedule to our current AUM based fee schedule.

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 Investment Management Agreement 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 Group, LLC. 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 Group, LLC. to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement, LM Capital Group, LLC 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 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 Group, LLC. 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 canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any 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 Group, LLC.'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 Group, LLC. 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 ("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 Group, LLC. 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 Group, LLC.'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

PERFORMANCE-BASED FEES

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

client, and LM Capital Principals.

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

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

Item 7 Types of Clients

LM Capital Group, LLC. typically provides advisory services to the following types of clients:

- Pension and profit sharing plans (other than plan participants)
- Corporations or other businesses not listed above
- State or municipal government entities

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

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:

- 1) Be globally comprehensive in our analysis
- 2) Identify the most attractive fixed income opportunities
- 3) Focus on long term interest rate trends and a "total return" objective for our clients' 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.

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.

INVESTMENT STRATEGIES

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to 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 idea 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.

RISK OF LOSS

Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

Item 9 Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business 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 Inc.. LM Advisors Inc. 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 Inc.. 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 Inc. No LM Capital Group, LLC. client is

obligated to use LM Advisors Inc, or its services.

We may occasionally, although rarely, trade the same or similar securities in client portfolios that are traded by LM Advisors Inc in its client portfolios. When this occurs, our clients may receive a better or worse price or execution than LM Advisors Inc, depending on 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 Advisor Inc. clients and LM Capital Group, LLC. clients, respectively. In addition there are two separate and distinct departments responsible for handling the operational processes for each firms 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.)

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Our Code of Ethics is updated when necessary, and reviewed by the firm's Chief Compliance Officer. Each employee of LM Capital Group, LLC must annually acknowledge their ability to access to the firm's Code of Ethics as well as their adherence to it.

LM Capital Group, LLC. 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 of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of monthly and quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

LM Capital Group, LLC.'s Code of Ethics 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 our advisory clients and prospective clients. You may request a copy by email sent to dmadruga@lmcapital.com, or by calling us at 619-814-1401.

Our Code of Ethics 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 transaction(s) being implemented for an advisory account, thereby preventing such employee(s) 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.

Clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

LM Capital Group, LLC. 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 equity trades in a timelier, more equitable manner, at an average security price. LM Capital Group, LLC. 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 Group, LLC.'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 Group, LLC., 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 Group, LLC. 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 Group, LLC.'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 Group, LLC.'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

REVIEWS: While the underlying securities within Model Portfolio Management Services accounts are continually monitored, 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 environment.

These accounts are reviewed by: John Chalker- Managing Director, Mario Modiano - Sr. Portfolio Manager, Carolyn Lustfield-SR. VP Risk Management, Rachel Wilson - Director-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, we provide reports summarizing account performance, balances and holdings. Based upon client request, reports can be provided as often as daily, but will generally be provided at least monthly. 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 restrictions or modify existing restrictions.

Item 14 Client Referrals and Other Compensation

It is LM Capital Group, LLC.'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 Group, LLC.'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

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 investment manager agreement (IMA) with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

Item 17 Voting Client Securities

LM Capital Group, LLC acts as a discretionary advisor for clients. LM Capital's authority to vote proxies or act with respect to other shareholder actions is established through the delegation of discretionary authority under LM Capital's investment advisory contracts.

We will vote proxies in the best interests of its 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 his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

A Managing Director of LM Capital Group, LLC is responsible for assuring material conflicts are identified and disclosed. LM Capital proxy voting policies and procedures are designed to enable LM Capital 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 account(s), 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.

You can instruct us to vote proxies according to particular criteria (for example, 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. You can also instruct us on how to cast your vote in a particular proxy contest by contacting us at (619) 814-1401.

Item 18 Financial Information

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 reasonable likely to impair our ability to meet our contractual obligations. LM Capital Group, LLC. has no additional financial circumstances to report.

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