

Part 2A of Form ADV: *Firm Brochure*

Magnolia Capital Management, Ltd.

145 Main Street - PO Box 330
Cold Spring, New York 10516

Telephone: 845-809-5259

Email: admin@magnoliacapitalmanagement.com

Web Address: www.magnoliacapitalmanagement.com

March 22, 2023

This brochure provides information about the qualifications and business practices of Magnolia Capital Management, Ltd., a registered investment advisor. If you have any questions about the contents of this brochure, please contact us at 845-809-5259 or admin@magnoliacapitalmanagement.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 Magnolia Capital Management, Ltd. 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 119597.

Registration with the SEC does not confer or imply any qualifications, or any level of skill or training for Magnolia Capital Management, Ltd. or its employees or directors.

Item 2 Material Changes

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 3/22/2022 amends our original disclosure document prepared according to the SEC's new requirements and rules (the "Brochure").

This item is used to provide our clients with a summary of new and/or updated information and 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.

There are no material changes since our last filing.

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	6
Item 6	Performance-Based Fees and Side-By-Side Management	9
Item 7	Types of Clients	9
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	10
Item 9	Disciplinary Information	13
Item 10	Other Financial Industry Activities and Affiliations	13
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	15
Item 12	Brokerage Practices	17
Item 13	Review of Accounts	20
Item 14	Client Referrals and Other Compensation	21
Item 15	Custody	21
Item 16	Investment Discretion	21
Item 17	Voting Client Securities	22
Item 18	Financial Information	22

Item 4 Advisory Business

Magnolia Capital Management, Ltd. is a SEC-registered investment adviser with its principal place of business located in Cold Spring, New York. Magnolia Capital Management, Ltd. began conducting business in 2002.

Magnolia Capital Management is family controlled and privately owned. It does not solicit or accept investment advisory relationships from the public. It offers its services only to the families of its shareholders or clients personally well known to its directors. Neither it nor its supervised persons receive commissions, bonuses or other compensation based on the sale of securities or other investment products. It advises only with respect to "long-only" investments and only recommends securities which are publicly traded on recognized exchanges. It does not recommend options or other forms of derivative securities.

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

- Thomas Jefferson Cunningham, III

Magnolia Capital Management, Ltd. offers the following advisory services to our clients:

INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., asset preservation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

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

- Exchange-listed securities
- Corporate debt securities (other than commercial paper)
- Certificates of deposit

- ✓ Municipal securities
- ✓ Mutual fund and ETF/ETN shares
- ✓ United States governmental securities
- ✓ Interests in publicly traded partnerships investing in real estate, energy and timber

Mutual funds are generally only recommended by the company in order to provide exposure to specialized asset classes in certain portfolios.

Because some types of investments involve additional risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

Once the client's portfolio has been established, we review the portfolio periodically, but not less than quarterly, and if necessary, rebalance the portfolio based on the client's individual needs and objectives.

AMOUNT OF MANAGED ASSETS

As of 12/31/2022 we were actively managing \$161,262,663 of clients' assets on a discretionary basis plus \$30,191,393 of clients' assets on a non-discretionary basis.

Other Services

Magnolia Capital Management also offers three additional services to its clients.

- ✓ One-time or periodic review of the structure and performance of client investment accounts held at other unrelated financial intermediaries (e.g. investment advisors or broker-dealers, etc.) and not at Magnolia Capital.
- ✓ Preparation of comprehensive financial plans for its clients, particularly in connection with retirement or estate planning (usually in conjunction with the client's tax and legal advisors).
- ✓ Provision of project specific consulting services (such as advice on business or real estate investments or disposals, etc.).

This Brochure generally includes information about Magnolia Capital Management, Ltd. and its relationships with its clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only. The descriptions set forth in this Brochure of specific advisory services that Magnolia Capital Management, Ltd. offers to clients, and investment strategies pursued and investments made by us on behalf of our clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment

strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each client's investment objectives and guidelines. The investment strategies that we pursue may entail material risks. Clients should be prepared to bear a loss of some or all of their capital. There can be no assurance that the investment objectives of any client will be achieved.

Item 5 Fees and Compensation

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

Our annual fees for Investment Supervisory Services are based upon the size of the account relationship and the composition of assets and are calculated as a percentage of assets under management and generally range from .5% to 1.5% per annum.

The annualized fee for Investment Supervisory Services are charged quarterly in arrears as a percentage of the market value of assets under management at the end of the quarter, according to the following schedule:

<u>Assets Under Management</u>	<u>Annual Fee</u>
---------------------------------------	--------------------------

Fee Schedule:

Accounts less than \$500,000

Fully discretionary and simple (minimum 1.00% per annum) to non-discretionary and/or complex (maximum 1.5% per annum). Minimum annual account fee is \$500.

Accounts \$500,000 to \$1,000,000

Fully discretionary and simple (minimum .875% per annum) to non-discretionary and/or complex (maximum 1.375% per annum).

Accounts \$1,000,001 to \$5,000,000

Fully discretionary and simple (minimum .75% per annum) to non-discretionary and/or complex (maximum 1.25% per annum).

Accounts over \$5,000,000

Fully discretionary and simple (minimum .625% per annum) to non-discretionary and/or complex (maximum 1.00% per annum).

Accounts over \$10,000,000

Fully discretionary and simple (minimum .50% per annum) to non-discretionary and/or complex (maximum .75% per annum).

Accounts over \$25,000,000

Per individual agreement.

ACCOUNTS INVESTED IN FIXED INCOME SECURITIES ONLY

Less than \$500,000

Fully discretionary and simple (minimum .75% per annum) to non-discretionary and/or complex (maximum 1.00% per annum). Minimum account fee is \$500.

\$500,000 to \$5,000,000

Fully discretionary and simple (minimum .50% per annum) to non-discretionary and/or complex (maximum .75% per annum).

Over \$5,000,000

Per individual agreement.

ACCOMMODATION ACCOUNTS

Generally only available for the benefit of the children of advisory clients. Annual fees range from \$25.00 per annum (for "UTMA" accounts) to \$100.00 per annum (for non-discretionary accounts). Discretionary accounts are not available under this special fee structure.

Investment Supervisory Services: Our fees are charged in arrears shortly after the end of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of that quarter. Fees are debited from the account in accordance with the client authorization in the Investment Advisory Agreement. Accounts opened mid-quarter or closed mid-quarter will have their quarterly fee pro-rated for the number of whole months for which it was active.

A minimum of \$500,000 of assets under management is required for investment supervisory services and accounts under \$100,000 are not accepted unless related accounts total over \$1,000,000. This account size may be negotiable under certain circumstances. Magnolia Capital Management, Ltd. may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

Limited Negotiability of Advisory Fees: Although Magnolia Capital Management, Ltd. has established the above 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's needs, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reporting requirements, 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.

Discounts, not generally available to our advisory clients, are offered to associated persons of our firm and to their direct family members.

OTHER SERVICES FEES

When the client wishes Magnolia Capital Management, Ltd. to evaluate and advise them on the performance of other managers the client may utilize, the charge is set annually by negotiation and is usually based on the number of managers to be evaluated, the frequency of the evaluation, and the size and complexity of the accounts. In general, the periodic fee would be .25% of the assets in the managed account at the beginning of the assignment with a minimum fee of \$500 per account and a maximum fee of \$2,500 per account.

When the client wishes Magnolia Capital Management, Ltd. to undertake a comprehensive financial plan for the client (which may entail working with the client's tax and legal advisors), fees are usually assessed on a per hour basis, depending on the complexity of the assignment, plus out-of-pocket expenses (generally \$150-\$250 per hour).

When the client wishes Magnolia Capital Management, Ltd. to undertake a project specific consulting service (such as advice on business investment or disinvestment, investments in real property, etc.), fees are usually agreed in advance of the assignment on a flat fee basis, although hourly fees can also be arranged.

The company does not work on a contingency fee basis or charge success fees. The agreed fees for any of the above related services are not due or payable until completion of the assignment.

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. Only fees earned, but unpaid since the last billing period will be assessed on terminated accounts or services.

Mutual Fund Fees: All fees paid to Magnolia Capital Management, Ltd. for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes a sales charge, a client may pay an initial or deferred sales charge. Magnolia Capital only purchases "no load" mutual funds and does not participate in any sales charges or distribution fees (12b-1 fees). A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to

thereby evaluate the advisory services being provided.

Magnolia Capital Management, Ltd. does not offer wrap fee programs.

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.

ERISA Accounts: Magnolia Capital Management, Ltd. 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, Magnolia Capital Management, Ltd. 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.

Advisory Fees in General: Although Magnolia Capital Management believes its fees to be very competitive by industry standards, 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 advance of any services rendered.

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

Magnolia Capital Management, Ltd. does not charge performance-based fees.

Item 7 Types of Clients

Magnolia Capital Management, Ltd. provides advisory services to the following types of clients:

- ✓ Individuals (other than high net worth individuals), including the trusts, estates, 401(k) plans and IRAs of individuals and their family members
- ✓ High net worth individuals
- ✓ Charitable organizations

- Corporations or other businesses not listed above

As previously disclosed in Item 5, our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets. Clients are clearly advised that any investment strategy involves risk of loss of market value and/or principal.

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 undervalued (indicating it may be a good time to buy) or overvalued (indicating it may be time to sell). We draw upon several independent research services for this work.

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.

Cyclical Analysis. In this type of technical analysis, we measure the movements of a particular stock or stocks in a sector against the overall market in an attempt to evaluate the potential price movement of the security or sector. A risk of cyclical analysis is that cycles cannot always be predicted with any accuracy and that external factors (wars, government policy, etc.) can reverse or accelerate cyclical trends.

Qualitative Analysis. We subjectively evaluate non-quantifiable factors such as political risks, quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and attempt to evaluate the potential impact they may have on the company's share price based on that data.

A risk of using qualitative analysis is that our subjective judgment may prove incorrect.

Asset Allocation. We also identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance, including volatility of portfolio value.

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, until corrected, may no longer be appropriate for the client's goals. Furthermore, all asset classes may, in times of crisis, move in the same direction, such that the intended benefits of asset class diversification are significantly muted.

Mutual Fund and/or ETF Analysis. We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy. We draw upon several independent research services to assist us in our analysis.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

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 out of date, 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 several years. Typically we employ this strategy when:

- we believe the securities or sector to be currently undervalued relative to its long-term prospects.
- we want exposure to a particular asset class over time.

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 engage only in short term purchases of fixed income mutual funds or money market funds to warehouse liquidity pending distribution or portfolio restructuring programs. We engage in no other short term purchases.

A short-term purchase strategy poses risks of price swing during the holding period; we may then be left with the option of potentially taking a loss or having a long-term investment in a security that was designed to be a short-term purchase.

In addition, this strategy may involve more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains/losses.

Diversification. Except at the instruction of the client, no individual security (excluding U.S. government or related entities or mutual funds, excluding broadly based asset class mutual funds - e.g. bond funds, index funds) will exceed 5% of the total value of the account relationship on date of purchase, and not greater than 10% of such account valuation thereafter, unless otherwise agreed by the client.

Magnolia Capital does not recommend or advise upon short sales, margin transactions, options writing or other derivative transactions.

Risk of Loss. Securities investments are not guaranteed and clients may lose money on their investments. We ask that clients work with us to help us understand their tolerance for risk.

The value of equity securities can fluctuate considerably over their holding period. In particular, values can fall, and even fall precipitously, when equity markets in general experience periods of "correction" or significant decline, when the industry within which a company operates experiences cyclical, technological, political or competitive threats, when major rating agencies or research firms "downgrade" its performance outlook, when its dividend is cut, or other such developments occur.

The value of debt securities (bonds, notes, mortgages, etc.) can also fluctuate over their holding period, generally in connection with the rise and fall of broad market interest rate levels. However, significant market valuation declines can occur in periods of dramatically increasing market interest rates (usually accompanying a perceived credit crisis or a severe tightening of monetary policy in the face of inflationary fears). Furthermore, the market valuations of a debt instrument can decline if the perceived credit quality of the issuer is one of continuing deterioration, as may be evidenced by weakening financial ratios or actual or potential downgrade of its debt instruments by one or more of the established credit rating agencies, or by a material event which could threaten the ongoing financial strength and performance of the issuer, such as a significant litigation, a precipitous decline in sales, a targeted regulatory action, etc.

Finally, a borrower (debt issuer) may be unable to make principal and interest payments when due, and the issuer or its creditors may file for bankruptcy. In either case, the holders of

such debt may suffer significant losses as a result of the insolvency of the debt issuer.

The foregoing risk factors do not purport to be a complete list or explanation of the risks with respect to the services offered by Magnolia Capital Management, Ltd. or the investments it makes on behalf of its clients. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by Magnolia Capital Management, Ltd.

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

Carol A. Powell, serves as both Treasurer of Magnolia Capital Management, Ltd. and a member of its Board of Directors. She is registered as an investment adviser representative of Harper Capital Management, a state registered investment advisory company. In that capacity, this individual provides advisory services through Harper Capital Management, Ltd. The advisory services delivered by Harper Capital Management, Ltd. are distinct from those provided by our firm and are not provided to any clients of our firm and are provided for separate compensation. Harper Capital's advisory services may be recommended by our firm to individuals or organizations which are not clients of our firm (typically business which does not meet Magnolia Capital's minimum or other acceptance criteria), but our firm has no economic interest in such referrals. There are no referral fee arrangements between our firm and Harper Capital Management, Ltd.

Harper Capital Management's operations are physically, managerially and operationally separate from that of Magnolia Capital Management and there is no coordination of any trading activity among the two firms.

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.)

Treasurer and Director of our firm (Carol A. Powell) is also the principal of the accounting firm of Carol A. Powell, CPA, where she is an individually licensed and practicing Certified Public Accountant providing accounting services for separate and typical compensation.

Carol A. Powell, CPA, may recommend Magnolia Capital Management, Ltd. to accounting clients in need of its type of investment advisory services. Conversely, Magnolia Capital Management, Ltd. may recommend Carol A. Powell, CPA, to advisory clients in need of accounting services. Accounting services provided by Carol A. Powell, CPA, are separate and distinct from our advisory services, and are provided for separate and typical compensation. There are no referral fee arrangements between our respective firms for these recommendations. No Magnolia Capital Management, Ltd. client is obligated to use Carol A. Powell, CPA, for any accounting services and conversely, no accounting client is obligated to

use the advisory services provided by us. Carol A. Powell, CPA's accounting services do not include the authority to sign checks or otherwise disburse funds on any of our advisory client's behalf.

Carol A. Powell spends the majority of her time on her accounting practice. (See Brochure Supplement for further disclosures regarding Ms. Powell.)

John K. Gifford, a member of our firm's Board of Directors, is an attorney licensed to practice law in the state of New York. He is "of counsel" to the law firm of Van DeWater & Van DeWater LLP with its principal office located in Poughkeepsie, New York. John Gifford may recommend Magnolia Capital Management to his clients in need of its type of investment advisory services. Conversely, Magnolia Capital Management may recommend John Gifford (and/or his firm, Van DeWater & Van DeWater) to advisory clients in need of legal services. Legal services provided by Mr. Gifford or his firm are separate and distinct from our advisory services and are provided for separate and typical compensation. There are no referral fee arrangements between our firm and Mr. Gifford or his firm for these recommendations. No Magnolia Capital Management, Ltd. client is obligated to use the services of Mr. Gifford or his firm. Conversely, his law clients are not obligated to use the advisory services provided by our firm. John Gifford spends the majority of his time on the practice of law. (See Brochure Supplement for further disclosures regarding Mr. Gifford.)

D. Bryce O'Brien is a member of Magnolia Capital Management's Board of Directors. He is a Principal and registered investment adviser representative of Douglass Winthrop Advisors, LLC, an SEC registered investment advisory company. In that capacity, this individual provides advisory services through Douglass Winthrop Advisors, LLC. The advisory services delivered by Douglass Winthrop Advisors, LLC. are distinct from those provided by our firm and are not provided to any clients of our firm and are provided for separate compensation. Douglass Winthrop's advisory services may be recommended by our firm to individuals or organizations which are not clients of our firm (typically business which does not meet Magnolia Capital's minimum or other acceptance criteria), but our firm has no economic interest in such referrals. There are no referral fee arrangements between our firm and Douglass Winthrop Advisors, LLC.

Douglass Winthrop Advisors' operations are physically, managerially and operationally separate from that of Magnolia Capital Management and there is no coordination of any trading activity among the two firms.

D. Bryce O'Brien spends the majority of his time as Principal in Douglass Winthrop Advisory LLC. (See Brochure Supplement for further disclosures regarding D. Bryce O'Brien.)

Clients should be aware that the receipt of outside compensation by Magnolia Capital Management's management persons or employees creates a conflict of interest that may impair the objectivity of these individuals when making advisory recommendations. Magnolia Capital Management, Ltd. endeavors at all times to put the interest of its clients first. As part of our fiduciary duty as a registered investment adviser, we take the following steps to address this conflict:

- we disclose to clients the existence of material conflicts of interest, including the potential

for our employees or directors to earn separate compensation from advisory clients in addition to our firm's advisory fees;

- we disclose to clients that they are not obligated to purchase any services from our employees or directors or their affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees and directors seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees and directors regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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. An outline of our Code of Ethics is as follows: 1-Statement of General Policy; 2-Access Persons; 3-Chief Compliance Officer's Designee; 4-Standards of Business Conduct; 5-Custodial Account Reporting; 6-Protecting the Confidentiality of Client Information; 7-Prohibition Against Insider Trading; 8-Pre-Clearance; 9-Personal Securities Transactions; 10-Compliance Procedures; 11-Personal Securities Trading Limitations; 12-Margin Transactions; 13-Limit Orders 14-Participation in Affiliated Limited Offerings; 15-Interested Transactions; 16-Outside Business Activities; 17-Service as an Officer or Director; 18-Gifts and Entertainment; 19-Political Contributions; 20-Covered Associates; 21-Rumor Mongering; 22-Anti-Corruption Practices; 23-Whistleblower Policy; 24-Reporting Violations and Sanctions; 25-Records; 26-Acknowledgement; 27-Definitions.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. They may request a copy by email sent to admin@magnoliacapitalmanagement.com, or by calling us at 845-809-5259.

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

Magnolia Capital Management, Ltd.'s Code of Ethics prohibits the use of material non-public information. With one exception, we do not believe that we have any particular access to any other non-public information and all employees are reminded that such information may not be used in a personal or professional capacity.

The exception is that Thomas Jefferson Cunningham III, Chairman and CEO of Magnolia Capital Management, Ltd., is a member of the board of directors of M&T Bank Corporation, a publicly listed bank holding company. While clients of Magnolia Capital may hold M&T Bank stock in their accounts, it is neither purchased nor sold by instruction from Magnolia Capital Management. All such transactions are client directed and Mr. Cunningham recuses himself from any such transactions.

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.

It is furthermore our policy that no director may purchase or sell any security for their or their immediate family's accounts held outside Magnolia Capital (except mutual funds and U.S. treasuries) without prior approval of the Compliance Officer or CEO of Magnolia Capital Management if such security is known to be of potential or actual interest (e.g. buying or selling) to Magnolia in exercising its account advisory responsibilities.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate purchases pro-rata, with each account paying the average price. Our employee accounts will be excluded in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and

potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal or immediate family's portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. 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. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
8. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
9. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
10. We have established policies requiring the reporting of Code of Ethics violations to our senior management and our Board of Directors.
11. Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), a related person of our firm is separately registered as investment adviser representative 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

Magnolia Capital Management's policy is to utilize the services of institutional or "discount" brokers who are selected based upon factors including, among other things, price, execution quality and record keeping scope and reliability. The company regularly assesses the

competitive landscapes of recognized broker-dealers to assure that the costs, recordkeeping and execution quality of its recommended broker-dealer remain appropriate for its clients. Fidelity Investments is the company's current prime broker and custodian. Business is not directed to brokers based upon their provision of research or other "soft" services to the company. Clients may direct the company to use other brokers or custodians of their choice and the company may use brokers other than Fidelity where there is a distinctive execution advantage (usually in negotiated markets - e.g. fixed income securities).

National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") provides our firm with their "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like Magnolia Capital Management, Ltd. in conducting business and in serving the best interests of our clients but that may also benefit us.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e. transactions fees are charged for certain no-load mutual funds and commissions are charged for individual equity and debt securities transactions). Fidelity enables Magnolia Capital Management, Ltd. to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers. As part of the arrangement, Fidelity also makes available to our firm, as a member of its institutional brokerage client base, at no additional charge to us, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies which may be used by our firm to manage accounts for which we have investment discretion.

All fees charged by Fidelity to our clients are at its published rate schedule for clients of its institutional brokerage unit. No fee premium is charged by Fidelity for any of its additional services utilized by Magnolia Capital Management. Furthermore, Magnolia Capital Management subscribes to several independent market research services at its own expense.

However, as a result of receiving such services from Fidelity for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity's services. We examined this potential conflict of interest when we chose to enter into the relationship with Fidelity and have determined that the relationship is in the best interests of Magnolia Capital Management, Ltd.'s clients and satisfies our client obligations, including our duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services including, among other things, the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, while Magnolia Capital Management will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific

client account transactions. Although the investment research products and services that may be obtained by us will generally be used to service all of our clients, a brokerage commission paid by a specific client may be indirectly used to pay for research that is not used in managing that specific client's account. Magnolia Capital Management, Ltd. and Fidelity Investments are not affiliated.

Other than as set out above in respect of Fidelity, Magnolia Capital Management, Ltd. has no research or other "soft" dollar relationships with any third party.

We accept no client referrals from any broker-dealer or third party.

We do not recommend, request, or require that clients direct us to execute transactions through a specified broker-dealer. We permit clients to utilize a broker-dealer/custodian other than Fidelity, although we discourage it. Clients which so direct are advised that they may pay higher rates than those charged by Fidelity, may receive lower execution quality and won't benefit from order aggregation (all of our clients currently utilize Fidelity).

Magnolia Capital Management, Ltd. will aggregate or "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 trade.

Block trading allows us to execute equity trades in a timelier, more equitable manner, at an average share price. Magnolia Capital Management, Ltd. 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. Magnolia Capital Management, Ltd.'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 Magnolia Capital Management, Ltd., 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 Magnolia Capital Management, Ltd. 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 number of shares 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) Magnolia Capital Management, Ltd.'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 Magnolia Capital Management, Ltd.'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.

Any trade errors will be rectified to make the client whole as if the error did not occur.

Item 13 Review of Accounts

INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT

REVIEWS: While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed formally at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by the company's Board of Directors. Reviewers by name are: T. J. Cunningham III, Chairman and CEO; John K. Gifford, Vice Chairman and Director; Carol A. Powell, Treasurer and Director; Peter Van Kleeck, Director; Thomas J. Cunningham IV, Director; James B. Cunningham, Director; Irene Van Voorhis, Vice President and Tamar Stubbs, Vice President and Director.

REPORTS: In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide to all investment advisory clients quarterly reports summarizing account performance, balances and holdings.

Item 14 Client Referrals and Other Compensation

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

It is Magnolia Capital Management, Ltd.'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

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the advisory client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for advisory clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our advisory clients on a quarterly basis. We urge our advisory clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Magnolia Capital Management provides investment advisory services to certain trusts for which an employee or director of Magnolia Capital may serve as a co-trustee. In all such cases, the account's independent custodian (Fidelity) and Magnolia send statements of all transactions, holdings and account values to both the non-affiliated trustee and the trust's principal beneficiary.

Magnolia Capital Management also provides investment advisory services to certain individuals, trusts and a private foundation that due to asset movement authorizations Magnolia Capital Management is deemed to have custody of such accounts.

Item 16 Investment Discretion

Although clients may request non-discretionary or partially discretionary investment advisory services, clients usually hire us to provide fully 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 a discretionary agreement 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

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

Item 18 Financial Information

Under no circumstances do we require or solicit payment of fees 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 or is deemed to have custody or is required to provide a copy of our firm's balance sheet, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. Magnolia Capital Management, Ltd. has no additional financial circumstances to report.

Magnolia Capital Management, Ltd. has not been the subject of a bankruptcy petition at any time during the past ten years.