

ITEM 1
COVER PAGE



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February 14, 2022

This brochure provides information about the qualifications and business practices of Marathon Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at (760) 559-5669 or marathoncm.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 Marathon Capital Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Marathon Capital Management, LLC is a Registered Investment Advisor in the State of California. Please note that registration does not imply a certain level of skill or training.

ITEM 2 MATERIAL CHANGES

We have the following material changes to report since our last annual update on February 23, 2021.

- We updated our firm's phone number from (760) 559-5669 to (949) 556-5556.
- Updated the email address on the cover page to darren@marathoncm.com.
- Physical office location has been updated from 7828 Day Creek Blvd., Apt. 218, Rancho Cucamonga, CA 91739 to our new location 9681 Allison Circle, Huntington Beach, CA 92646.

ITEM 3 TABLE OF CONTENTS

Page 1	Items 1&2 Cover Page and Material Changes since Our Last Annual Update
Page 2	Item 3 Table of Contents
Page 4	Item 4 Advisory Business <ul style="list-style-type: none">A. Description of our businessB. Description of advisory services we offerC. If or how, we tailor our advisory services to your individual needsD. Wrap fee programsE. Amount of assets we manage
Page 5	Item 5 Fees and Compensation <ul style="list-style-type: none">A. How we are compensatedB. How our fees are paidC. Other types of feesD. Do we charge fees in advanceE. Do we get compensated (<i>commissions</i>) for the sale of securities
Page 6	Item 6 Performance-Based Fees and Side-By-Side Management
Page 6	Item 7 Types of Clients
Page 6	Item 8 Methods of Analysis, Investment Strategies and Risk of Loss <ul style="list-style-type: none">A. Our analysis & strategiesB. Material risks involved in our analysis or strategiesC. Do we recommend primarily a particular type of security
Page 7	Item 9 Disciplinary Information

- A. Criminal or civil actions
- B. Administrative proceedings before The SEC or any other government agency
- C. Any self-regulatory organization (SRO) proceedings

- Page 7 Item 10 Other Financial Industry Activities and Affiliations
- A. Are we registered representatives of a securities broker/dealer
 - B. Are we a futures commissions merchant, commodity pool operator or commodity trading advisor
 - C. Do we have any other financial relationships or arrangements that are material to our business
 - D. Do we recommend other registered investment advisors and receive compensation

- Page 8 Item 11 Code of Ethics, Participation or Interest in *Client* Transactions and Personal Trading
- A. Describe our Code of Ethics
 - B. Do we have any material interests in investments we recommend
 - C. Do we invest in securities we recommend to you
 - D. Do we buy or sell securities for our own account about the same time we buy the same securities for your account

- Page 9 Item 12 Brokerage Practices
- A. Research and other soft dollar benefits
 - a. Soft dollars
 - b. Brokerage for client referrals
 - c. Directed brokerage

- Page 9 Item 13 Review of Accounts
- A. Frequency and nature of reviews
 - B. Reviews on an other than periodic basis
 - C. Client reports

- Page 10 Item 14 Client Referrals and Other Compensation
- A. Do we get economic benefits from a non-client for providing certain advice to you
 - B. Do we pay for client referrals

Page 11 Item 15 Custody

Page 11 Item 16 Investment Discretion

- Page 11 Item 17 Voting Client Securities
- A. Do we accept authority to vote client securities

B. If we do have the authority to vote client securities, disclose that fact

Page 12 Item 18 Financial Information

- A. Do we require prepayment of fees of more than \$500/ more than 6 months in advance
- B. If we require such prepayment, or have custody or discretion, is there any impairment to give you refund, if necessary
- C. Bankruptcy

Page 12 Item 19 Additional Requirements for *State-* Registered Advisors

- A. Our educational & business backgrounds
- B. Any other business activities
- C. Performance-based fees
- D. Any issues with events listed below
 - a. Arbitration
 - b. Civil, SRO or administrative proceedings
- E. Do we have any relationships with an issuer of securities

ITEM 4 ADVISORY BUSINESS

A. Description of our business Marathon Capital Management (MCM) has been a Registered Investment Advisor in California since 2004. MCM was formed as a sole proprietorship by Kim Magana in which he owned 100%. Subsequently, in April 2019 MCM became a partnership with Kim Magana and Darren Crume with Mr. Crume as the Chief Compliance Officer. In January 2021, MCM was formed as a limited liability company with Darren Crume and Kim Magana as the firm's managing members. Please see Item 19 and their supplement brochures for additional information on Mr. Crume and Mr. Magana.

B. Description of advisory services we offer MCM has always been a small independent firm specializing in financial planning and managing client portfolios.

Financial planning includes tax planning, insurance planning, retirement planning and estate planning. Financial planning services may include consultations and/or written financial plans, which analyze your financial situation and makes appropriate recommendations for strategies and methods of implementation of the strategies.

NOTE: A conflict exists between the interests of the investment advisor and the interests of the clients and; the client is under no obligation to act upon the investment advisor's recommendations and; if the client elects to act upon any of the recommendations, the client is under no obligation to affect the transaction through the investment advisor.

When managing client portfolios, we will take under consideration client's financial personal situation, which includes employment status, cash reserves, retirement account values, current age, anticipated retirement date, other sources of income as well as their personal tolerance for risk and volatility. With this information, we will assist clients with developing an appropriate investment strategy. We will monitor and adjust the client portfolios in accordance with the agreed upon investment strategy.

When we manage your accounts, we use only general registered securities (stocks & bonds), mutual funds (including exchange traded funds or ETFs), government securities and options.

NOTE: All material conflicts of interest under CCR Section 260.238 (k) are disclosed regarding the investment advisor, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

C. If, or how we tailor our advisory services to your individual needs All of our clients are different, so we tailor our services to meet your needs by consultations to discover your individual hopes, goals and dreams. Then we analyze your current investments and make suggestions how to meet your individual hopes, goals and dreams. Of course, you may impose restrictions on investing in certain securities or types of securities. It is your portfolio, after all. (Please refer to Item 16.)

D. Wrap fee programs (MCM) does not participate in wrap-fee programs.

E. Amount of assets we manage As of January 25, 2022, MCM manages approximately \$46,254,502 in client assets on a discretionary basis.

ITEM 5 FEES & COMPENSATION

A. How we are compensated Financial planning fees have 2 components. The negotiable hourly fee is up to \$150/hour and is paid after the consultations.

Written financial plan fees range from \$200 to \$2,000, depending on the complexity of your financial situation. Half the negotiable fee is due in advance, the rest upon presentation of the plan, which will always be well within 6 months of our engagement. If you cancel, any prepaid fees will be refunded on a pro-rated basis.

Managed money fees also have 2 components. If we manage your money, the annual negotiable fee for doing so ranges from ½ of 1% to 2%, depending on the size and complexity of your account. The fee is paid quarterly, at the *end* of each quarter. Management fees are based on the total assets under management (AUM) including cash and short term investments.

NOTE: Lower fees for comparable services may be available from other sources.

B. How our fees are paid With your signed permission on a Limited Power of Attorney, we can have your custodian withdraw our fees for managing your account at the end of each quarter. We recommend that method. Or you may choose to have us bill you at the end of each quarter. It's your choice. Hourly fees are billed at the end of the month they were incurred. For written financial plans, half the fee is payable in advance, the rest upon presentation of the plan. (If you cancel, please see "D" below.)

C. Other types of fees Our fees do not include transaction fees, brokerage commissions and other related costs and expenses, which you will pay. You may also pay fees charged by your custodian, mutual funds and other money managers, including: management fees, custodial fees, mutual fund fees, taxes and transfer fees. We do not receive a portion of any of these fees. Simply put, they are a necessary part of doing business in the securities industry. And please remember that by not charging securities sales commissions, we are keeping your out-of-pocket expenses as low as we possibly can. (Please refer to item 12.)

D. Do we charge in advance We charge only one fee in advance. If we prepare a written financial plan for you, half the fee is due in advance, the rest upon presentation of the plan, which will always be within 6 months of our engagement. If you cancel within 5 business days, you'll get a 100% refund of all written financial planning fees. If you cancel after we have done over half the plan, no refund will be paid. If you cancel after 5 business days and before half the plan is finished, how much of the written financial plan that is actually completed when you cancel will depend on what percentage of the proposed chapters is completed. For example, if there are 10 chapters to be done, and we've completed 3, you'll get a 70% refund.

E. Do we get compensated (commissions) for the sales of securities No one at MCM accepts commissions or any other form of compensation for *selling* you securities or other investment products. MCM does not act as or have a broker securities license.

ITEM 6

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) or perform side-by-side management. Therefore, this section is not applicable.

ITEM 7

TYPES OF CLIENTS

Most of our clients are individuals; many are high net worth individuals. We also have business & corporations, charities and small pension clients.

MCM does require a minimum account size for opening or maintaining an account. That amount is \$100,000. dollars.

ITEM 8

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Our analysis & strategies Extensive research and screening of securities are done to meet MCMs' stringent requirements. We believe in portfolio diversity and avoid concentrated stock positions. Index funds are used extensively to diversify and maintain core positions. Our goal is to allow investors to participate in portfolio gains during rising stock markets and preserve wealth during market declines. We do fundamental security analysis of a business, which involves analyzing its financial statements & health, its management & competitive advantages, and its competitors & markets. Fundamental analysis is performed on historical & present data, but with the goal of making financial forecasts, including stock price evolution, projection of business performance, management evaluations and credit risks.

We primarily read financial newspapers and magazines (including "Barrons", "Morningstar Advisor", "Financial Planning", "Financial Advisor" and "Money").

We also study corporate rating services such as Standard & Poors and Value Line.

We have several on-line resources, including Bloomberg.com, MSNmoney.com, CNBC.com, CBOE.com, NYSE.com, Vanguard.com and Treasurydirect.gov.

YOU SHOULD BE AWARE THAT INVESTING IN SECURITIES INVOLVES RISK OF LOSS THAT YOU SHOULD BE PREPARED TO BEAR. THE FIRST DECADE OF THE 21ST CENTURY SHOULD HAVE PROVEN THAT.

B. Material risks involved in our analysis or strategies We feel our investment strategy is fairly conservative and we don't believe it involves significant or unusual risks. For example, we do not engage in frequent trading of securities as that can affect investment performance, particularly through increased brokerage and other transaction costs and taxes. MCM believes in a balanced portfolio based on your age, risk tolerance, goals and time horizon.

C. Do we recommend primarily a particular type of security As mentioned earlier, we place client accounts in general securities (stocks & bonds), mutual funds, government securities and options, none of which are customarily considered to involve significant or unusual risk. But, as noted above, investing in securities ALWAYS INVOLVES RISKS AND YOU MAY LOSE PRINCIPAL.

**ITEM 9
DISCIPLINARY INFORMATION**

- A. Criminal or civil actions: Inapplicable
- B. Administrative proceeding before The SEC or any other government agency: Inapplicable
- C. Any self- regulatory organization (SRO) proceedings: Inapplicable

**ITEM 10
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

- A. Are we registered representatives of a securities broker/dealer No one at MCM is or will ever be a securities broker/dealer or a securities registered representative.
- B. Are we a futures commission merchant, commodity pool operator or a commodity trading advisor No one at MCM is or ever will be futures commission merchant, a commodity pool operator or a commodity trading advisor or an associated person of the above-mentioned 3 entities.
- C. Do we have any other financial relationships or arrangements that are material to our business MCM does give advice to other investment advisors.
- D. Do we recommend other registered investment advisors and receive compensation
Not Applicable.

**ITEM 11
CODE OF ETHICS, PARTICIPATION OR INTEREST IN *CLIENT* TRANSACTIONS
AND PERSONAL TRADING**

- A. Describe our Code Of Ethics Our Code of Ethics establishes ideals for ethical conduct based upon fundamental principles of openness, integrity & trust. It ensures that we always put your interests first. We hold ourselves to high standards and diligence. Taken as a whole, our Code of Ethics is our promise to work hard in your interests, with complete confidentiality and honesty. We will immediately provide a copy of our Code of Ethics to any client or prospective client upon request.
- B. Do we have any material financial interests in investments we recommend We will not recommend an investment to you in which we have a material financial interest. We do not act as a principal and buy securities from, or sell securities to clients. We are not general partners in a

partnership so we will not solicit your investments for such. We are not investment advisors to any investment company, so we will not solicit your investments for such.

C. Do we invest in securities we recommend to you On occasion, we may buy or sell securities we recommend to you. We have found over the years that clients like to invest in the same investments we do. That makes sense. If we like it for ourselves, why shouldn't our clients like it too, always depending on their investment goals, objectives and time frame. When we recommend investments we hold ourselves, we'll always disclose to you what we own and how much we own. (As an aside, we've seen that some salespeople tell clients that they own the same thing they are recommending, but it's often a minimal amount. We find that to be very deceptive.) We feel that there is just a tiny conflict of interest in owning the same securities as we recommend to you because the securities we recommend are widely held and publicly traded and we are too small advisors/investors to affect the market in widely held and publicly traded securities.

D. Do we buy or sell securities about the same time as you Yes at times as coincidence we may depending on market conditions or when monies come into the firm. In addition, we do not allow "front running" (buying or selling before you). There is no conflict of interest as the securities are widely held and publicly traded and trades are too small to affect the market.

ITEM 12 BROKERAGE PRACTICES

A. Describe the factors we used in selecting a custodian for you We have selected a custodian based on its:

- Costs: Among the best in the world of custodians
- Skills: Very few mistakes so far
- Reputation: Other RIAs that use them have sworn by them. That's real important.
- Dependability: Rarely a problem
- Compatibility with you: This custodian deals mainly with small independent RIAs like us.

We participate in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA/SIPC/NFA. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under Item 14 below.)

1. Soft dollars We don't do "soft dollars". It is difficult to define, but a good example would be if a custodian offered us research or other benefits to place our clients with them.

2. Brokerage for client referrals We don't do "brokerage for client referrals". By that we mean we haven't selected our custodian on the basis that it will send us other client referrals in exchange for your custodial business.

3. Directed brokerage We don't do "directed brokerage". That means we don't recommend, request or require that you direct us to execute transactions through a specified broker/dealer. If we did it, we may be unable to achieve favorable execution of trades and it would cost you money.

B. Aggregating client accounts We rarely have the opportunity to "aggregate" the purchase or sale of securities for you. We're an independent small RIA that doesn't buy or sell securities very often (a practice which saves you money). More importantly, all our clients are different in age, size of portfolio, wants & needs and risk taking, so there is very little overlap in our client portfolios.

ITEM 13 REVIEW OF ACCOUNTS

A. Frequency & nature of reviews We review managed accounts weekly. We review financial planning accounts annually. All accounts are reviewed by MCM's president- Kim Magana. Reviews are done on a portfolio analysis basis.

B. Reviews on an other than periodic basis On occasions, such as a dramatic market move (in either direction), retirement or any catastrophe, we review client accounts to ascertain if we need to make appropriate repositioning moves for you.

C. Client reports We do not prepare regular client *reports*. At the end of each quarter we receive a computerized invoice from your custodian detailing you quarterly activity. We then review the invoice and check the calculations. If all is in order we hit "submit" and your fees to us are deducted. Your custodian sends you account statements, transaction confirmations, all applicable tax documents, required minimum distributions form any qualified plans, and proxy documents, including ballots and any communication from public companies. In addition, you also receive statements from any mutual funds you may own and other money managers you may utilize.

ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

A. Do we get economic benefits from a non-client for providing certain advice to you

As disclosed under Item 12, above, we participate in TD Ameritrade's institutional customer program and Advisor may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between our participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our related persons. Some of the products and services made available by TD Ameritrade through the program may benefit us but may not benefit our client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by us or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by us or our related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

B. Do we pay for client referrals We do not *pay* for client referrals.

ITEM 15 CUSTODY

All client funds, securities and accounts are held at third-party custodians, TD Ameritrade, Inc.. We do not take possession of a client's securities. However, the client will be asked to authorize us with the ability to deduct the management fee directly from the client's account. This is considered a limited form of custody. With a limited form of custody, when deducting the fee, the client receives a fee invoice showing the management fee to be deducted, amount on which the management fee was calculated, the time period the management fee covers, and how the management fee was calculated. In addition to the billing invoice, the client will receive at least quarterly statements from the qualified custodian that holds and maintains the client's assets. We urge each client to carefully review such statements.

ITEM 16
INVESTMENT DISCRETION

We manage your accounts on a discretionary basis, although some clients prefer non-discretionary accounts. That is your choice. And it doesn't matter to us. We are a firm built on *relationships* not *transactions*. As a small independent RIA we don't trade your accounts very often, so it is not difficult to check with you before we make any buys or sells in your account.

If you do authorize us to use discretion on your account, you may tell us any limitations you'd want on your account. For example, several clients prefer that we not invest in gambling, tobacco or alcohol-based securities. We will, of course, abide with your wishes.

In order for you to have an account with us, we must first have you authorize it with a Limited Power of Attorney, which your custodian provides to you. Before executing the power of attorney, the custodian insures that your signed contract with us authorizes us to have certain privileges and these are then initialed on your new account form. You may authorize us to open the account, authorize us to manage your account with discretion or not, authorize us to receive duplicate confirmations & statements and authorize the custodian to deduct our fees from your account.

ITEM 17
VOTING *CLIENT* SECURITIES

A. Do we accept authority to vote client securities We do not vote client securities

B. If we do not have that authority, disclose that fact We do not have the authority to vote client securities. You will receive your proxies or other solicitations directly from your custodian and we encourage you to discuss them with your legal representatives as we not in a position to answer any of your questions regarding proxies.

ITEM 18
FINANCIAL INFORMATION

A. Do we require prepayment of fees of more than \$500/ more than 6 months in advance No, we never charge more than \$500 more than 6 months in advance.

B. If we require such prepayment, or have custody or discretion, is there any impairment for us to make a refund, if necessary Since we may have discretionary authority (but not custody) of

your funds and/or securities, we are required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to you. We can submit an unaudited balance sheet we can give you as well as bank references that clearly show that we do not have any financial commitments that will impair our ability to meet our contractual conditions for all our clients. We'd like to think that after 7 years as an RIA, we could manage our own assets, as well as yours.

C. Bankruptcy Neither Kim Magana or Marathon Capital Management has ever filed for bankruptcy. (Please refer to the preceding paragraph.)

ITEM 19 REQUIREMENTS FOR STATE REGISTERED ADVISORS

We have two principal executive officers, Kim Magana ("Mr. Magana") and Darren Crume ("Mr. Crume"). Mr. Magana and Mr. Crume's biographical information is provided in the attached Brochure Supplement Documents.

Mr. Magana and Mr. Crume are required to disclose additional information if they have other business activities. Mr. Magana and Mr. Crume have no other business activities to report.

Mr. Magana and Mr. Crume are also required to disclose additional information if he receives performance-based fees, has any relationship or arrangement with an issuer of securities, or was ever found liable in an arbitration, civil, self-regulatory organization or administrative proceeding. Mr. Magana and Mr. Crume have no information to report on these topics because none apply to them.

Business Continuity Plan

We have a Disaster Recovery and Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of space, communications, and/or services.

The plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The plan also covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, telephone communications line outage, internet outage, railway accident and aircraft accident. Electronic files are backed up daily and stored on encrypted cloud service provided.

Alternate offices are identified to support ongoing operations in the even the main office is unavailable. The client's custodian may also assist, depending on the type of disaster, with back office and trading assistance for accounts held in custody by them. The client's custodian has its own disaster recovery plans with backup facilities in different parts of the U.S. It is the firm's intention to contact all clients within five days of a disaster that dictates moving its office to an alternate location for a period of time.

