

## Item 1 Cover Page

### MORSE CAPITAL PARTNERS, LLC

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**This brochure provides information about the qualifications and business practices of Morse Capital Partners, LLC. If you have any questions about the contents of this brochure, please contact us at 804-888-7770. 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. Morse Capital Partners, LLC is a registered investment adviser. Registration does not imply any certain level of skill or training.**

**Additional information about Morse Capital Partners, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Item 2 Material Changes

Since our last annual brochure was filed in March 2019, there have been the following material changes:

- Clarifications regarding the formula for processing fees and the addition of a platform fee were added. See Item 5 for more details

We will ensure that you receive a summary of any material changes to this and subsequent disclosure brochures within 120 days after our firm's fiscal year ends. Our firm's fiscal year ends on December 31, so you will receive the summary of material changes no later than April 30 each year. At that time we will also offer or provide a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

### **Full Brochure Availability**

The Firm Brochure for Morse Capital Partners, LLC is available by contacting Sarah Westbrook at 704-919-0439.

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## Item 4 Advisory Business

Morse Capital Partners LLC (“MCP”) has been in business since 2008. Collectively the firm’s advisors have over 60 years of experience in the investment industry. The principal owners of Morse Capital Partners, LLC are Brent Morse, Zermatt Wealth Partners, LLC, and Robert Freeman.

The firm provides financial advice to individuals, pension and profit-sharing plans, trusts, estates, and businesses.

### *Financial Planning*

In most cases, the client will supply to MCP information including income, investments, savings, insurance, age and many other items that are helpful to the firm in assessing your financial goals. The information is typically provided during personal interviews and supplemented with written information. Once the information is received, we will discuss your financial needs and goals with you and compare your current financial situation with the goals you state. Once these are compared, we will create a financial and/or investment plan to help you meet your goals.

The plan is intended to be a suggested blueprint of how to meet your goals. Not every plan will be the same for every client. Each one is specific to the client who requested it. Because the plan is based on information supplied by you, it is very important that you accurately and completely communicate to us the information we need. Also, your circumstances and needs may change as your engagement with us progresses. It is very important that you continually update us with any changes so that if the updates require changes to your plan, we can make those changes. Otherwise, your plan may no longer be accurate.

### *Asset Management*

Asset management services involve the rendering of advice to clients regarding the purchase and sale of securities in the client’s account.

MCP requires each client to place at least \$1,000,000 with the firm. This minimum may be waived at the discretion of MCP. Some clients who wish to access multiple asset management styles, specifically third-party managers, may be required to have a greater account minimum.

Asset management services may be provided on either a “discretionary” or “non-discretionary” basis. When MCP is engaged to provide asset management services on a discretionary basis, MCP will monitor the accounts to ensure that they are meeting the client’s asset allocation requirements. If any changes are needed, MCP will make the changes. These changes may involve selling a security or group of investments and buying others or keeping the proceeds in cash. Clients engaging MCP on a discretionary basis will be asked to execute a Limited Power of Attorney (granting us the discretionary authority over the client accounts) included in the Investment Management Agreement that outlines the responsibilities of both the client and MCP.

When a client engages MCP to provide investment management services on a non-discretionary basis, we monitor the accounts in the same way as for discretionary services. The difference is that changes to

the account will not be made until MCP has confirmed with the client (either verbally or in writing) that the proposed change is acceptable to the client.

Each client has the ability to impose reasonable restrictions on the management of his/her account, including the designation of particular securities or types of securities that should not be purchased for the account, or that should be sold if held in the account. If a client's instructions are unreasonable or an Investment Advisor Representative believes that the instructions are inappropriate for the client, FIRM will notify the client that, unless the instructions are modified, it will cancel the instructions in the client's account. A client will not be able to provide instructions that prohibit or restrict the Investment Adviser of an open-end or closed-end mutual fund or ETF with respect to the purchase or sale of specific securities or types of securities within the fund.

When clients engage MCP to provide asset management services, the client and MCP will execute an Investment Management Agreement that describes the services to be provided, the fees for the service, other expenses related to the provision of the investment management services, and how to terminate the agreement.

MCP does not offer a wrap program currently.

As of 12/31/2019, MCP has total assets under management of \$147,358,946 managed on a discretionary basis and \$25,970,534 on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### *Financial Planning*

Financial planning fees can be hourly, fixed fee basis, or included with asset management services. Our hourly charge is between \$125 and \$350 per hour. Fixed fees will be between \$2,000 and \$15,000. The fee range stated is a guide. Fees may be higher or lower than this range, based on the nature of the engagement. Fees are negotiable and will depend on the anticipated complexity of your plan.

### *Asset Management*

Generally, fees may vary from 0.50% to 2.00% per annum of the market value of a client's assets managed by MCP. The value used to calculate the asset management fee will include any allocation to cash or cash-like instruments, such as money market funds or accounts, of the client's investable assets. Investable cash means cash that is in client account as an asset allocation. Cash that is not in investable cash is cash that has been identified by the client as designated for a specific purpose. The fee range stated is a guide, a client's actual fee will be noted in the investment advisory agreement. Fees are negotiable, and may be lower than this range, based on the nature of the account. Factors affecting fee percentages include the size of the account, complexity of asset structures, and other factors.

### *Fee Payment*

Investment management fees will be debited directly from each client's account. The advisory fee is paid quarterly, in advance, and the value used for the fee calculation is the net value as of the last market day of the previous quarter with the exception of certain alternative investments that will be valued one quarter behind. This means that if your annual fee is 1.00%, then each quarter we will

multiply the value of your account by 1.00% then divide by the number of days in the year and then multiply by the number of days in the upcoming quarter to calculate our fee. Once the calculation is made, we will instruct your account custodian to deduct the fee from your account and remit it to MCP. Fees are not necessarily based on a calendar quarter. Rather, fees for each client may be based on quarters specific to that client. For example, if a client becomes a client in February, instead of being charged for the balance of the first quarter, and then for each subsequent calendar quarter thereafter, they may be charged for the quarter of February, March and April. In that case, their next billing will be May, June and July, and so on. Deposits and/or withdrawals of \$10,000 or more made during the calendar quarter will be prorated and charged or rebated in advance (arrears), as applicable.

Clients whose fees are directly debited will provide written authorization in the investment advisory agreement to debit advisory fees from their accounts held by a qualified custodian chosen by the client. The client will receive a statement from their account custodian showing all transactions in their account, including the fee.

If a client engages MCP to provide asset management services during a quarter, the client will pay a management fee for the number of days left in that quarter. If a client terminates the relationship during a quarter, the client will be entitled to a refund of any management fees for the remainder of the quarter. Once a notice of termination is received, MCP will refund the unearned fees to the client in whatever way the client prefers (check, wire back to your account).

### *Other Fees*

In addition to the fees outlined above, a separate platform fee of up to .25% is charged which covers the firm's technology platforms used for billing, reporting and accessing a wide field of money managers. This fee will be levied in addition to the MCP's advisory fee assessed for investment management services and any fee charged by subadvisors utilized on the Envestnet platform and is not billed as a separate line item.

Unless clients direct otherwise or an individual client's circumstances require, MCP generally recommends one of several unaffiliated custodians (e.g., TD Ameritrade, SEI, Charles Schwab & Co., etc.) to serve as the broker-dealer/custodian for client investment accounts. Broker-dealers such as those listed above may charge brokerage commissions and/or transaction fees for effecting certain securities transactions. For example, these custodians may charge commissions for individual equity and fixed income securities transactions or fees may be charged for certain no-load mutual fund transactions. In addition to the Adviser's investment management fee, custodial brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g., management fees and other fund expenses).

Morse Capital Partners invests certain qualified clients in Private Funds (e.g. Private Equity Funds, Hedge Funds, etc.) depending on their risk tolerance and investment goals. Clients should be aware that investments in Private Funds generally carry additional fees in addition to Morse Capital Partners asset management fee. These additional fees may be in the form of fund expenses, incentive fees, carried interest, etc.

Morse Capital Partners uses Mutual Funds to diversify client holdings and provide broader exposure to certain markets depending on the clients risk profile and goals. Mutual Funds are generally offered in different share classes (e.g. A Shares, I Shares, etc.) with varying fee structures, including share classes with sales load, sales charges or 12B-1 fees. Morse Capital Partners strives to use the lowest fee share class in most circumstances, however on occasion the Adviser does not meet certain criteria to purchase I shares or similarly offered low expense share classes. In these cases, the Adviser will use a higher fee share class that may carry a 12B-1 fee. 12B-1 fees are deducted from the client's mutual funds' assets on an ongoing basis and are paid to the client's broker-dealers / custodians. On a regular basis the Firm will review any holdings with 12b-1 fees to see if there is a lower cost share class available to consider switching into. It should be noted that Morse Capital Partners DOES NOT receive any portion of 12B-1 fees.

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

MCP will not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

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

Clients advised may include individuals, pension and profit-sharing plans, trusts, estates, and businesses. MCP requires clients to have an account minimum of \$1,000,000. The minimums may be waived in the discretion of MCP.

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

It is important for you to know and remember that all investments carry risks. Investing in securities involves risk of loss that clients should be prepared to bear.

At the onset of the client relationship, MCP will:

1. Interview the client, establish risk tolerance, investment horizon, income/distribution needs and any other constraints that may play a role in the client's investment parameters
2. Determine an appropriate asset allocation and investment management strategy, including the general types of management approach that would be appropriate to meet the client's needs.
3. Prepare a written investment policy outlining the above for the client, including a schedule for regular reviews.
4. If needed, MCP will prepare a transition plan from the client's current accounts to the accounts managed by MCP. It is important to remember that because market conditions can vary greatly, your asset allocation guidelines are not necessarily strict rules. Rather, we review accounts individually, and may deviate from the guidelines as we believe necessary.

Once each client is interviewed and a transition plan is made to an MCP strategy, the client's assets will be placed in one or more of the following strategies:

#### ***Separate Accounts***

Each client account is separately managed and invested according to that client's investment objectives. Once each account's objectives are ascertained, MCP will develop a set of asset allocation guidelines. An asset allocation guideline is a percentage-based allocation among different types of assets like stocks,

fixed income, or third part managers with specific expertise (asset classes), or specific types of securities (large cap, mid-cap). For example, a client may have an asset allocation strategy that calls for 80% of the portfolio to be invested in equity securities and fixed income and the rest invested with third party managers. Within each main allocation may be sub-allocations. For example, a client with 80% in direct securities may have a mix of large cap, mid cap and small cap equities combined with mutual funds and fixed income, while another client's direct securities might be all in ETFs and mutual funds. Each client is managed individually.

The percentages in each asset type recommended by MCP are based on the typical behavior of that security type, individual securities we follow current market conditions, the client's current financial situation, financial goals, and the timeline to achieve those goals. Because MCP develops an investment strategy based on each client's personal situation and financial goals, each client's asset allocation guidelines may be similar to or different from another client. It is important to remember that because market conditions can vary greatly, asset allocation guidelines are not necessarily strict rules. Rather, we review accounts individually, and may deviate from the guidelines as we believe necessary.

Once the client's asset allocation guidelines are established, a selection of appropriate directly owned securities types is selected. The broad categories of securities MCP works with are: are individual stocks, bonds, ETF's (exchange traded funds) and mutual funds. Different asset types tend to behave differently in different market environments and there can be benefits to diversification.

Specific equity and fixed income securities are chosen based on a variety of factors, including dividends, income, interest rates, company management, price to earnings ratios, and other factors. Specific mutual funds are chosen based on where its investment objective fits into the asset allocation recommended by MCP, its risk parameters, past performance, peer rankings, fees, expenses, and any other aspects of the fund MCP deems relevant to that particular fund. MCP bases its conclusions on publicly available research, such as regulatory filings, press releases, purchased research, and proprietary screens and analytics.

As assets are transitioned from a client's prior advisers to MCP, there may be securities and other investments that do not fit within the asset allocation strategy selected for the client. Accordingly, these investments will need to be sold in order to reposition the portfolio into the asset allocation strategy selected by MCP. However, this transition process may take some time to accomplish. Some investments may not be unwound for a lengthy period of time for a variety of reasons that may include unwarranted low share prices, restrictions on trading, contractual restrictions on liquidity, or market-related liquidity concerns. In some cases, there may be securities or investments that are never able to be sold. In the event an investment in a client account is unable to be unwound for a period of time, MCP will monitor the investment as part of its services to the client. MCP may suggest that a given investment be moved to a separate account.

### *Options*

MCP may use options as part of an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock or ETF) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative,



because it derives its value from an underlying asset. The two types of options are calls and puts.

- A call gives the holder the right to buy an asset at a certain price within a specific period of time. We may buy a call if we believe that the price of the underlying security may increase before the option expires.
- A put gives the holder the right to sell an asset at a certain price within a specific period of time. We may buy a put if we believe that the price of the underlying security may fall before the option expires.

MCP may also sell puts and calls as well or employ other more sophisticated options strategies. We will use options to “hedge” a purchase of the underlying security or related positions; in other words, we will use an option purchase to limit the potential upside and/or downside of a security or related positions we have purchased for your portfolio.

MCP may use “covered calls”, in which we sell an option on a security owned within a portfolio. In this strategy, you receive a premium for making the option available, and the person purchasing the option has the right to buy the security from you at a predetermined price.

MCP may also utilize two or more options at the same time, to take advantage of the difference between them, called a “spread”. For example, a put option that you buy and a put option that you sell for the same underlying security. This can provide partial downside protection by giving the adviser the ability to limit some of the variables of price, time and other factors. We typically use this kind of strategy to provide downside protection for a portfolio but may also utilize the concept of option spreads to generate returns if the client’s portfolio and market conditions warrant such a strategy.

### *Model Portfolios*

On occasion, all or a portion of a client’s accounts will be managed through the use of MCP’s proprietary models, which it uses to guide the stock positions in client portfolios. Each client account is coded to indicate the model it is attached to. All client accounts in each model are managed on a *pari passu* basis. In other words, unlike the Separate Account strategy outlined above, all accounts managed within each model are managed in a like manner, side by side with one another, and not individually considered.

When the financial advisor managing the model wishes to make a change to the investments in the accounts participating in that model, the financial advisor implements a single change, as if the financial advisor were only managing one account. The individual participating accounts are then allocated their share of the investment purchase or sale.

Accordingly, while a client may request limitations on MCP’s discretionary authority, some requested limitations may not be possible to achieve within a model portfolio, because all accounts participating in each model are done in the same manner. In this case, the client and the firm will mutually agree to either terminate the engagement, accept the asset allocations in the strategy, or have the client’s assets placed in another strategy.

Prior to participating in a particular model portfolio, each client will receive a complete description of

the strategy such model portfolio follows as part of the engagement to provide advisory services.

As a result of MCP's interviewing clients, MCP is often in a position to recommend the appropriate model for the client's needs. In other instances, clients may have a specific type of equity portfolio in mind, either due to their investment interest, their overall global asset allocation, or their expected risk and return guidelines.

Specific securities within each model are chosen based on a variety of factors, including dividends, income, interest rates, company management, price to earnings ratios, and other factors. MCP bases its conclusions on publicly available research, such as regulatory filings, press releases, purchased research, and proprietary screens and analytics we undertake on our own. We also utilize some quantitative analysis and from time to time utilize technical analyses, which mean that we will review the past behaviors of the security and the markets in which it trades for signals as to what might happen in the future.

### *Sub-Advisors*

MCP has access to a wide range of investment advisors ("sub-advisors") via the Envestnet (ENV) platform to offer asset allocation and asset management services to MCP advisory clients. Each IAR shall assist their client in formulating a strategic investment portfolio based on the client's investment objectives. Once formulated, a suitable sub-advisor is selected to implement and continually manage the portfolio. In preparing the portfolio, each IAR will set restrictions or limitations on the management of the account if requested by the client and explain to the client the continual account activity transacted by the sub-advisor. Also, MCP will periodically review the current and historical performance record of each sub-advisor.

The relationship of MCP with the subadvisor will be clearly communicated to all clients. With each proposal done through the ENV platform the client will be provided a copy of the Envestnet Form ADV 2A or brochure.

### *Third Party Managers*

We may recommend that certain portions of a client's portfolio be managed by independent third-party managers or recommend direct investment with independent third-party managers, typically when those managers demonstrate knowledge and expertise in a particular investment strategy. We consider private placement, or "hedge funds" as third-party managers. No assets will be allocated to third party managers without the prior permission of the client. Permission for such allocations will be obtained for each allocation.

We examine the experience, expertise, investment philosophies and past performance of independent third-party investment managers 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 monitor the manager's underlying holdings, strategies, concentration and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

Based on a client's individual circumstances and needs, we will determine which selected money manager's portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance and the investment philosophy of the selected money manager. We encourage clients to review each third-party manager's disclosure document regarding the particular characteristics of any program and managers selected by us.

We will regularly and continuously monitor the performance of the selected money managers. If we determine that a particular selected money manager is not providing sufficient management services to the client, or are not managing the client's portfolio in a manner consistent with the client's investment objectives, we will remove the client's assets from that selected money manager and place the client's assets with another money manager at our discretion and without prior consent from the client, unless the client account is non-discretionary. Permission for non-discretionary accounts will be obtained before placing the client's assets with another money manager.

MCP will obtain appropriate due diligence on all independent third-party managers, making reasonable inquiries into their performance calculations, policies and procedures, code of ethics policies and other operational and compliance matters to account for performance and risk management. We examine the experience, expertise, investment philosophies and past performance of third-party investment managers 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 monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

This process continues on an ongoing basis, throughout the time the client works with the third-party manager. It is important to note that these managers will charge a separate and additional fee for their services. MCP will consider these fees in its decision to recommend the use of a third-party manager.

### Risks of Investing

There are always risks to investing. Clients should be aware that all investments carry various types of risk including the potential loss of principal that clients should be prepared to bear. It is impossible to name all possible types of risks. Among the risks are the following:

- Political Risks. Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.
- General Market Risks. Markets can go up or down on various news releases or for no understandable reason at all. This sometimes means that the price of specific securities could go up or down without real reason and may take some time to recover any lost value. Adding additional securities does not help to minimize this risk since all securities may be affected by market fluctuations.
- Risks Associated with Taxation: MCP is not an accounting or legal firm and cannot give tax advice. Each individual client's tax situation may be unique to that client.

Accordingly, clients should regularly consult with their legal and tax professionals regarding the tax impact of investing as well as the tax complications of the asset management decisions made by MCP.

- **Currency Risk.** When investing in another country using another currency, the changes in the value of the currency can change the value of your security value in your portfolio.
- **Regulatory Risk.** Changes in laws and regulations from any government can change the value of a given company and its accompanying securities. Certain industries are more susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.
- **Tax Risks Related to Short Term Trading:** Clients should note that MCP may engage in short-term trading transactions. These transactions may result in short term gains or losses for federal and state tax purposes, which may be taxed at a higher rate than long term strategies. MCP endeavors to invest client assets in a tax efficient manner, but all clients are advised to consult with their tax professionals regarding the transactions in client accounts.
- **Restriction Risk:** Clients may at all times place reasonable restrictions on the management of their accounts. However, placing these restrictions may make managing the accounts more difficult, thus lowering the potential for returns.
- **Risks Related to Investment Term & Liquidity.** Securities do not follow a straight line up in value. All securities will have periods of time when the current price of the security is not an accurate measure of its value. If you require us to liquidate your portfolio during one of these periods, you will not realize as much value as you would have had the investment had the opportunity to regain its value. Further, some investments are made with the intention of the investment appreciating over an extended period of time. Liquidating these investments prior to their intended time horizon may result in losses.
- **Purchasing Power Risk.** Purchasing power risk is the risk that your investment's value will decline as the price of goods rises (inflation). The investment's value itself does not decline, but its relative value does, which is the same thing. Inflation can happen for a variety of complex reasons, including a growing economy and a rising money supply.
- **Business Risk.** This can be thought of as certainty or uncertainty of income.

Management comes under business risk. Cyclical companies (like automobile companies) have more business risk because of the less steady income stream. On the other hand, fast food chains tend to have steadier income streams and therefore, less business risk.

- **Financial Risk.** The amount of debt or leverage determines the financial risk of a company.
- **Default Risk.** This risk pertains to the ability of a company to service their debt. Ratings provided by several rating services help to identify those companies with more risk. Obligations of the U.S. government are said to be free of default risk.
- **Short Sales.** "Short sales" are a way to implement a trade in a security MCP feels is overvalued. In a "long" trade, the investor is hoping the security increases in price. Thus, in a long trade, the amount of the investor's loss (without margin) is the amount paid for the security. In a short sale, the investor is hoping the security decreases in price. However, unlike a long trade where the price of the security can only go from the purchase price to zero, in a short sale, the price of the security can go infinitely upwards. Thus, in a short sale, the potential for loss is unlimited and unknown, where the potential for loss in a long trade is limited and knowable. MCP utilizes

short sales only when the client's risk tolerances permit.

- **Information Risk:** All investment professionals rely on research in order to make conclusions about investment options. This research is always a mix of both internal (proprietary) and external (provided by third parties) data and analyses. Even an adviser who says they rely solely on proprietary research must still collect data from third parties. This data, or outside research is chosen for its perceived reliability, but there is no guarantee that the data or research will be completely accurate. Failure in data accuracy or research will translate to a compromised ability by the adviser to reach satisfactory investment conclusions.
- **Small Companies:** Some investment opportunities in the marketplace involve smaller issuers. These companies may be starting up or are historically small. While these companies sometimes have potential for outsized returns, they also have the potential for losses because the reasons the company is small are also risks to the company's future. For example, a company's management may lack experience, or the company's capital for growth may be restricted. These small companies also tend to trade less frequently than larger companies, which can add to the risks associated with their securities because the ability to sell them at an appropriate price may be limited compared to the markets as a whole. Not only do these companies have investment risk, if a client is invested in such small companies and requests immediate or short-term liquidity, these securities may require a significant discount to value in order to be sold in a shorter time frame.
- **Risks specific to sub-advisors and other managers.** If we invest some of your assets with another advisor, including a private placement, there are additional risks. These include risks that the other manager is not as qualified as we believe them to be, that the investments they use are not as liquid as we would normally use in your portfolio, or that their risk management guidelines are more liberal than we would normally employ. Clients should carefully review the risks associated with each manager as such risks are disclosed in that firm's Form ADV and/or offering documents for the private placement, both of which are available from MCP.
- **Transition risk.** As assets are transitioned from a client's prior advisers to MCP there may be securities and other investments that do not fit within the asset allocation strategy selected for the client. Accordingly, these investments will need to be sold in order to reposition the portfolio into the asset allocation strategy selected by MCP. However, this transition process may take some time to accomplish. Some investments may not be unwound for a lengthy period of time for a variety of reasons that may include unwarranted low share prices, restrictions on trading, contractual restrictions on liquidity, or market-related liquidity concerns. In some cases, there may be securities or investments that are never able to be sold. The inability to transition a client's holdings into recommendations of MCP may adversely affect the client's account values, as MCP's recommendations may not be able to be fully implemented.
- **Options:** The use of options transactions as an investment strategy involves a high level of inherent risk. Although the intent of many of the options-related transactions implemented by MCP is to hedge against principal risk, certain of the options-related strategies (i.e., straddles, short positions, etc.), may in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct MCP, in writing, not to employ any

or all such strategies for his/her/their/its accounts. Clients participating in investing with options should carefully consider all information regarding the strategy and its risks prior to participating.

- REITs. MCP may recommend that portions of client portfolios be allocated to real estate investment trusts, otherwise known as “REITs”. A REIT is an entity, typically a trust or corporation that accepts investments from a number of investors, pools the money, and then uses that money to invest in real estate through either actual property purchases or mortgage loans. While there are some benefits to owning REITs, which include potential tax benefits, income and the relatively low barrier to invest in real estate as compared to directly investing in real estate, REITs also have some increased risks as compared to more traditional investments such as stocks, bonds, and mutual funds. First, real estate investing can be highly volatile. Second, the specific REIT chosen may have a focus such as commercial real estate or real estate in a given location. Such investment focus can be beneficial if the properties are successful but lose significant principal if the properties are not successful. REITs may also employ significant leverage for the purpose of purchasing more investments with fewer investment dollars, which can enhance returns but also enhances the risk of loss. The success of a REIT is highly dependent upon the manager of the REIT. Clients should ensure they understand the role of the REIT in their portfolio.
- MLPs. MCP may recommend that portions of client portfolios be allocated to master limited partnerships, otherwise known as “MLPs”. An MLP is a publicly traded entity that is designed to provide tax benefits for the investor. In order to preserve these benefits, the MLP must derive most, if not all, of its income from real estate, natural resources and commodities. While MLPs may add diversification and tax favored treatment to a client’s portfolio, they also carry significant risks beyond more traditional investments such as stocks, bonds and mutual funds. One such risk is management risk-the success of the MLP is dependent upon the manager’s experience and judgment in selecting investments for the MLP. Another risk is the governance structure, which means the rules under which the entity is run. The investors are the limited partners of the MLP, with an affiliate of the manager typically the general partner. This means the manager has all of the control in running the entity, as opposed to an equity investment where shareholders vote on such matters as board composition. There is also a significant amount of risk with the underlying real estate, resources or commodities investments. Clients should ask MCP any questions regarding the role of MLPs in their portfolio.
- International Investing. Investing outside of the United States, especially in emerging markets, can have special or enhanced risks. The most obvious are political risk (changes in local politics can have a vast impact on the markets in that country as well as regulations affecting given issuers) and currency risk (changes in exchange rates between the dollar and the local denominations can materially affect the value of the security even if the underlying fundamentals and market price are stagnant). There are other risks, including enhanced liquidity risk, meaning that while domestic equities and mutual funds are generally easily liquidated (though there may be a risk of loss due to the timing of the sale), equities in other jurisdictions may be subject to the circumstances of lower overall market volume and fewer companies on an emerging exchange. In addition, there may be less information and less transparency in a

foreign market or from a foreign company. Foreign markets impose different rules than domestic markets, which may not be to an investor's advantage. Also, companies in foreign jurisdictions are generally able to avail themselves of local laws and venues, meaning that legal remedies for U.S. investors may not be as easily obtained as in the U.S.

## **Item 9 Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of Morse Capital or the integrity of MCP's management. MCP has no information applicable to this item.

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

Certain professionals of MCP may have affiliations with other businesses that Morse Capital Partners wishes to make clients aware:

**Other Investment Advisors:** Mr. Louis Dworsky is a direct owner of Maven, LLC ("Maven"), and Hayden Royal, LLC; ("Hayden") both are SEC registered investment advisers. In this capacity, Mr. Dworsky may receive additional compensation from Maven and/or Hayden. Clients should be aware that the receipt of additional compensation itself creates an inherent conflict of interest and may affect the judgment of Mr. Dworsky when making recommendations. Because Mr. Dworsky is a majority owner of MCP, the Adviser monitors Mr. Dworsky's activities when acting as an adviser of MCP, which may include reviewing a sample of Mr. Dworsky's correspondence, reviewing Mr. Dworsky's client portfolio's and transactions to ensure there is no conflict of interest. MCP also attempts to mitigate the conflict of interest by requiring Mr. Dworsky to acknowledge the firm's Code of Ethics, their individual fiduciary duty to the clients of MCP, which requires that employees put the interests of clients ahead of their own.

**Real Estate Entities:** Certain employees of MCP may participate and own entities with the sole purpose of investing in Real Estate. The employees engaged in these businesses are not involved in the day-to-day operations of these entities. MCP clients are not offered or solicited to participate in these businesses or real estate investments. Nevertheless, MCP attempts to mitigate the conflict of interest by requiring employees to acknowledge in the firm's Code of Ethics, their individual fiduciary duty to the clients of MCP, which requires that employees put the interests of clients ahead of their own.

**Additionally:** In 2008 and 2009, MCP did recommend that certain clients invest in two funds managed by Rogers Realty Associates, LLC ("RRA"). Certain principals of RRA, were at the time MCP recommended the RRA funds, members of MCP, and accordingly, MCP had a material conflict of interest when recommending the RRA funds. MCP stopped recommending the RRA funds in 2009, and the principals of RRA ceased to be affiliated with MCP by 2011. The clients recommended to invest in the RRA funds are still invested with the RRA funds.

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

A copy of our Code of Ethics is available upon request. Our Code of Ethics includes discussions of our fiduciary duty to clients, political contributions, gifts, entertainment, and trading guidelines.

On occasion, an employee of MCP may purchase for his or her own account securities which are also recommended for clients. Our Code of Ethics details rules for employees regarding personal trading and avoiding conflicts of interest related to trading in one's own account. To avoid placing a trade before a client (in the case of a purchase) or after a client (in the case of a sale), all employee trades must be reviewed. All employee trades must either take place in the same block as a client trade or sufficiently apart in time from the client trade so the employee receives no added benefit. Employee statements are reviewed to confirm compliance with the trading procedures.

## **Item 12 Brokerage Practices**

MCP currently recommends that investment accounts be held in custody by either Schwab Institutional Division of Charles Schwab & Co., Inc. ("Schwab"), SEI Investments, Inc. ("SEI") or TD Ameritrade, Inc. ("TDA").

### **SEI and Schwab**

SEI and Schwab offer to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. MCP receives some benefits from these custodians through its participation in the programs. Both SEI, and Schwab are third parties, wholly independent of MCP. It is expected that most, if not all, transactions in a given client account will be cleared through the custodian of that account in its capacity as a broker-dealer.

SEI and Schwab, like all broker-dealers, charge brokerage commissions or transaction fees for trades in client accounts. Commissions are per-share or per trade charges for the execution of either a purchase or sale of securities (stocks or bonds). Transaction fees are charged for the execution of a purchase or sale of mutual funds. MCP does not and will not receive any portion of these transaction charges from SEI, or Schwab. In addition to the management fee paid to MCP, and the transaction fees/commissions charged by the custodian acting as a broker-dealer, some of the mutual funds will also charge transaction fees.

### **TD Ameritrade**

MCP participates 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 MCP's participation in the program and the investment advice it gives to its Clients, although MCP receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. MCP receives economic benefits through participation in the program that are typically not available to 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 adviser 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 MCP by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by related persons.

Some of the products and services made available by TD Ameritrade through the program may benefit MCP but not client accounts. These products or services may assist MCP 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 MCP's business enterprise. The benefits received through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade.

MCP participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade"), a FINRA/SIPC member. TD Ameritrade, Inc. is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independently registered investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. MCP receives some benefits from TD Ameritrade through its participation in the program. Any research received is used to service all of our client's accounts.

Clients may pay commissions or transaction fees that are higher than those obtainable from other brokers in return for those products and services. As part of its fiduciary duties to clients, MCP endeavors at all times to put the interests of its clients first. MCP has a duty to obtain best execution for its clients. Clients should be aware, however, that the receipt of economic benefits by MCP or its related persons creates a potential conflict of interest and may indirectly influence the choice of custodial and brokerage services.

MCP recommends broker-dealers to its clients based on a variety of factors. These include, but are not limited to, commission costs. In choosing a broker-dealer or custodian to recommend, MCP is most concerned with the value the client receives for the cost paid, not just the cost. Other factors that may be considered in determining overall value include speed and accuracy of execution, financial strength, knowledge and experience of staff, research and service. Specifically, SEI, Schwab and TDA have what can be considered discount commission rates, as well as arrangements with many mutual funds that enable MCP to purchase these mutual funds for client accounts at reduced transaction charges (as opposed to other broker-dealers). They have the highest market share of investment adviser business which makes them the most experienced in matters likely to arise for MCP clients. MCP re-evaluates the use of Schwab, TDA, SEI and other broker-dealers at least annually to determine if these custodians are still the best value for MCP clients.

### *Aggregating Trades*

Commission costs per client may be lower on a particular trade if all clients in whose accounts the trade is to be made are executed at the same time. This is called aggregating trades. Instead of placing a number of trades for the same security for each account, we will, when appropriate, execute one trade for all accounts and then allocate the trades to each account after execution. If an aggregate trade is not fully executed, the securities will be allocated to client accounts on a pro rata basis, except where doing so would create an unintended adverse consequence (for example, 1/4 of

a share, or a position in the account of less than 1%).

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

All accounts will be reviewed by a senior professional on at least an annual basis. However, it is expected that market conditions, changes in a particular client's account, or changes to a client's circumstances will trigger a review of accounts.

All clients will receive statements and confirmations of trades directly from their account custodian. Clients also may receive written quarterly reports from MCP which outline the client's asset allocation and recent performance. We encourage clients to carefully review the statements and confirmations sent to them by their custodian, and to compare the information on your quarterly report prepared by MCP against the information in the statements provided directly from their account custodian. Clients should alert us of any discrepancies.

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

MCP does not receive an economic benefit by anyone other than the client for providing investment advice and other advisory services.

MCP, in some instances, compensates third-party solicitors for client referrals. The solicitor's agreements entered into by MCP comply with Rule 206(4)-3 under the Investment Advisers Act of 1940. Currently MCP has agreements with Gary Ackerman and Larry Lambert. Additional solicitor agreements may be initiated, or existing ones terminated at any time. Compensation will be based on a percent of referred clients' account value managed by MCP. Such fees are paid pursuant to a written agreement between MCP and the solicitor. A client who is solicited will receive an additional disclosure document specifically describing the arrangement and the compensation paid to the solicitor. Solicitor's fees will be based on MCP's normal fee schedule; clients will not be charged any additional fees or expenses as a result of the referral.

### **Item 15 Custody**

MCP deducts fees from client accounts, but would not have custody of client funds otherwise. Clients will receive statements directly from their account custodian, and copies of all trade confirmations directly from their account custodian.

We encourage clients to carefully review the statements and confirmations sent to them by their custodian, and to compare the information on your quarterly report prepared by MCP against the information in the statements provided directly from their account custodian. Clients should alert us of any discrepancies.

### **Item 16 Investment Discretion**

Asset management services may be provided on either a "discretionary" or "non-discretionary" basis. When MCP is engaged to provide asset management services on a discretionary basis, we will monitor your accounts to ensure that they are meeting your asset allocation requirements. If any changes are needed to your investments, we will make the changes. These changes may involve selling a security or group of investments and buying others or keeping the proceeds in cash. You may at any time place

restrictions on the types of investments we may use on your behalf, or on the allocations to each security type. You may receive at your request written or electronic confirmations from your account custodian after any changes are made to your account. You will also receive monthly statements from your account custodian. Clients engaging us on a discretionary basis will be asked to execute a Limited Power of Attorney (granting us the discretionary authority over the client accounts) which is included in the Investment Management Agreement outlining the responsibilities of both the client and MCP.

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

From time to time, shareholders of stocks, mutual funds, exchange traded funds or other securities may be permitted to vote on various types of corporate actions. Examples of these actions include mergers, tender offers, or board elections. Clients are required to vote proxies related to their investments, or to choose not to vote their proxies. MCP will not accept authority to vote client securities. Clients will receive their proxies directly from the custodian for the client account. MCP will not give clients advice on how to vote proxies.

### **Item 18 Financial Information**

MCP does not require the prepayment of fees more than six (6) months or more in advance and therefore has not provided a balance sheet with this brochure.

There are no material financial circumstances or conditions that would reasonably be expected to impair our ability to meet our contractual obligations to our clients.

### **Additional Information**

#### **Privacy Policy**

The Firm collects non-public personal information about clients from information received on applications or other forms and information about client transactions with Firm affiliates, others, or the Firm itself. MCP does not disclose any nonpublic personal information about current or former clients to anyone, except as permitted by law or to provide the current services. Firm employees have limited access to client personal information based on their responsibilities to provide products or services to clients. The Firm maintains physical, electronic and procedural safeguards in compliance with federal standards to protect client information. If the IAR servicing a client account leaves MCP to join another firm, the IAR is permitted to retain copies of client information so that he/she can assist with the transfer of the client account and continue to serve the client at their new firm.

#### **“Opting-out” of Third-Party Disclosures**

If a client does not want an IAR to retain copies of client sensitive information when he/she leaves MCP to join another firm, the client may contact the MCP Compliance Department by calling 704-919-0439.