

## **Form ADV Part 2A and 2B Brochure**

**Seraphim Capital Management, LLC**

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### **Item 1 – Cover Page**

This brochure provides information about the qualifications and business of Seraphim Capital Management, LLC (hereinafter “SCM”). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration does not imply any level of skill or training.

Additional information about our firm and employees is available on the Securities and Exchange Commission’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). SCM’s CRD number is #170976.

If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer, John Morris, at 720-406-7790 or [jmorris@seraphimcapitalmanagement.com](mailto:jmorris@seraphimcapitalmanagement.com).

Our oral and written communications are intended to provide you with information you may use to evaluate SCM and which may be factors in your decision to hire us.

## **Item 2 – Material Changes**

The following material changes have occurred since the annual amendment dated February 18, 2021:

- Our primary business and mailing addresses have changed – see Cover Page
- Item 4: Advisory Business has been updated to remove reference to state-level registrations.
- Item 5: Fees has been updated to remove references to fee invoices sent to clients, as this requirement does not apply to SEC advisers.
- Item 15: Custody has been updated to remove a cross-reference to the fee invoice information removed from Item 5.
- Item 18: Financial Information has been updated to reflect the relevant threshold of \$1,200 for SEC-registered firms.
- Item 19: Requirements for State-Registered Advisers has been deleted.

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## Item 4 - Advisory Business

SCM was established in January 2014 by John Morris and John McKee. Mr. Morris is Managing Member for the firm.

### Portfolio Management Services

SCM has four main areas of business: Wealth Management, Socially Responsible Investing, 401(k) plans, and Event Driven Strategies.

In Wealth Management services, SCM is dedicated to working with our clients to create a well-balanced portfolio based upon their risk tolerance and investment objectives. These portfolios generally contain a broad and diversified portfolio of stocks, bonds and other securities. In addition, SCM provides Asset Protection Strategies to its clients. Asset protection is defined as the safeguarding of wealth and assets from legal attack. We work with the top law firms in the nation to protect these assets from threats, such as aggressive litigants and predatory creditors, and preserve the assets for the benefit of our clients. *SCM does not provide legal or tax advice to clients.*

Socially Responsible Investing refers to investment and money management activities undertaken according to certain social values or in addition to purely financial considerations. The standard argument for socially screened investing is simple: It allows people to avoid investing their money in companies whose products or behavior they find objectionable. SCM maintains an extensive data base of over 160 Socially Conscious funds that are continuously monitored. It is our goal to assist our clients to incorporate their social ideals into their investment portfolio without sacrificing returns.

SCM serves as financial advisor to 401(k) plans. In this role, we partner with employers and Third-Party Administrators (“TPA”) to provide a diversified selection of quality investments within the plan, helping meet both employees’ need for investment selection, and the employer’s fiduciary duties.

In Event Driven strategies, SCM focuses on corporate events and capital reorganizations that may provide investment opportunities for our clients, primarily Secondary Public Offerings (“SPO”). When a public company announces a change in their capital structure, this subsequently may present an opportunity to exploit momentary pricing inefficiencies. Event Driven Strategies should be considered a form of alternative investment, with unique risks – please refer to details under Item 8.

Clients grant trading authority, which authorizes SCM to make purchase and sell decisions for their accounts through the Advisory Services Agreement, consistent with SCM’s strategy and discipline.

SCM will comply with a client's reasonable investment restrictions so long as the core investment strategy is not materially changed or compromised by the proposed restrictions.

As of 2/4/2021, SCM had approximately \$51,530,461 in assets under management on a discretionary basis. SCM has no non-discretionary assets under management.

## **Item 5 – Fees and Compensation**

For investment advisory services rendered to most clients, SCM receives advisory fees based solely upon a percentage of assets under management. For qualified clients, SCM may receive a fee based upon both a percentage of assets under management and a performance-based fee. Advisory fees are negotiable on a case-by-case basis and are specified in the Advisory Services Agreement with each client.

Seraphim Capital Management's standard fee schedule is as follows:

Type of Account	Fee
Wealth Management – non-qualified client	2.00% Annual Asset Based Fee billed monthly in arrears.
Qualified Client (See below)	2.00% Annual Asset Based Fee and 20% Performance Based Fee, billed quarterly in arrears.

SCM may waive part or all the above fees at its sole discretion. In some circumstances, SCM may provide financial consulting at \$350 per hour.

### **Asset Management and Performance Fee with High Water Mark**

For qualified clients, defined as:

- any person or entity that immediately after entering into the advisory contract with SCM has at least \$1,000,000 under management with SCM; or
- any person or entity that SCM reasonably believes, immediately prior to entering into our Client Advisory Agreement, either has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$2,100,000 (excluding value of primary

residence) or is a “qualified purchaser” under the Investment Advisors Act at the time the Agreement is entered into,

SCM is also paid a performance incentive fee of twenty percent (20%) of net profits. Net profits are the sum of the net realized and unrealized profits and losses, interest, dividends, other income and any expenses for the period minus any net realized or unrealized losses carried forward from previous periods that have not been recouped. The change in account value shall be computed by subtracting the account balance at the beginning of a month from the account balance at the end of the month less any Client deposits and plus any withdrawals during the month.

Once an incentive fee is paid, SCM retains the fee regardless of its subsequent performance; however, no additional incentive fee will be paid to SCM until SCM recoups any previous losses (High Water Mark). The purpose of the High-Water Mark is to ensure that a client does not pay performance fees on gains on which Client has previously paid a performance fee to SCM. The High-Water Mark is established when the account is opened with SCM and recalculated quarterly as of the billing date by adjusting the value of the portfolio for changes in market value and all deposits and withdrawals, including all fees paid to SCM.

The performance fee is charged only on the amount which exceeds the High-Water Mark. If a client loses money in a billing period, SCM will get no performance fee for that period but will not share in that loss. Because the performance fees will be paid quarterly, SCM could receive an incentive fee for a month even though an account is unprofitable for the year. No advance fees will be collected by SCM.

## **Fee Billing**

Wealth Management client fees are billed and payable monthly in arrears. Qualified client fees are billed and payable quarterly in arrears. All clients authorize SCM to deduct its fee from the Client’s account(s).

The Custodian is not responsible for validating the fees calculated by SCM. If any asset- based fee due is for a partial period, the fee will be charged on a pro-rata basis.

## **Termination**

Our Advisory Services Agreement may be terminated by either party upon written notice delivered to the other. The termination will be effective upon receipt of the written notice. All transactions placed at the Custodian up to the effective date of the termination will be completed by the custodian; no other transactions will be placed by SCM after the effective date of the termination notice.

Upon termination of an Advisory Services Agreement, any fees due and payable to SCM will be directly deducted from our client's account and pro-rated based on the applicable partial billing period.

## **General Information about SCM's Advisory Services and Fees**

The "official" record-keeper of the account data and information is the client's custodian.

Fees for SCM's Portfolio Management Services do not include the fees or expenses our clients may pay as the owner of a brokerage account. SCM does not participate in these fees or expenses (directly or indirectly). These include but are not limited to: transaction fees, custodial fees, transfer taxes, and wire transfer and electronic fund processing fees.

## **Item 6 – Performance Based and Side-By-Side Management**

For some accounts, SCM receives performance-based fees for its investment management services. A performance-based fee is an SCM's fee for managing a qualified client's account in which SCM's compensation is based upon the investment performance of the account being managed (Refer to Section 5 above for a more complete description). In addition to managing performance-based fee accounts, SCM also manage accounts without a performance fee incentive.

### **Conflicts of Interest: Performance-Based Fees**

Performance-based fees create conflicts of interest with respect to SCM's management of assets. Specifically, our entitlement to a performance-based fee in managing one or more accounts may create an incentive for us to take risks in managing assets that we would not otherwise take in the absence of such arrangements. Additionally, since performance-based fees reward us for strong performance in accounts which are subject to such fees, we have an incentive to favor these accounts over accounts that have only asset-based fees (i.e., fees based simply on the amount of assets under management in an account) with respect to areas such as trading opportunities, trade allocation, and allocation of new investment opportunities.

These conflicts are mitigated by:

1. implementing an evenly structured allocation process whereby all accounts, both fee based and performance based, will receive the same execution price on all trades;
2. utilizing the same buy list for all accounts regardless of the fee structure; and
3. allocating trades on a prorated basis for all accounts regardless of fee structure.

As fiduciaries in the management of our Clients' accounts, we make every effort to recognize conflicts of interest and to ensure that our clients are receiving fair and equitable treatment, regardless of the type or existence of various fee structures in our Client's portfolios.

## Item 7 – Types of Clients

SCM provides investment advisory services to individuals, high net worth individuals, business retirement plans, fund of funds, trusts, charitable organizations, foundations, family offices and hedge funds.

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

### Wealth Management

SCM provides discretionary, non-pooled, separately managed account (“SMA”) services that provide general wealth management and Asset Protection Strategies. SCM will rely on outside counsel for our asset protection structure.

We work with our clients to create a well-balanced portfolio based upon their risk tolerance and investment objectives. SCM utilizes a broad spectrum of investment vehicles designed to maximize growth while limiting risk. Each portfolio is specifically tailored to meet our clients’ needs.

### Event Driven Strategies

Event Driven strategies are derived from corporate events that change or alter the capital structure a company. These events often create an opportunity to exploit momentary inefficiencies in the price of a company’s stock. Specifically, SCM has developed an investment discipline for Secondary Public Offerings.

There are typically two types of Secondary Offerings:

- Equities being **offered** by selling shareholders with little or no change to the capital structure of the company; and
- Equities being **issued** by the company which are initially dilutive to the capital structure of the company, but which provide additional capital for growth.

SCM employs a manual yet systematic trading strategy that focuses on Secondary Public Offerings (hereinafter “SPO’s”) that is specifically designed to take advantage of the discounted pricing of securities inherent in the SPO marketplace.

During the period following the announcement and issuance of the SPO, various market inefficiencies create a favorable investment environment for our SPO strategy. The strategy employed by SCM attempts to capitalize on these temporary pricing inefficiencies by going either long or short in a client’s portfolio. These inefficiencies are most pronounced between the time the offering is announced and the time the offering is actually brought to the market by the



underwriters. The strategy has an average holding period of 28 days on all positions and, as result, clients should look to experience both short and long-term capital gains.

In an attempt to reduce the volatility and loss of value in a client's portfolios, SCM employs a 2% end of day stop loss from the cost basis of each security in the portfolio. Therefore, if the market is in a sustained correction this would precipitate that our client's portfolio may be in cash. As the broader market rebounds and the secondary market returns to its normal level of activity, SCM then begins our purchase of Secondary Offerings.

In the ordinary course of our business, it is not expected that our clients would place their entire portfolio of investable assets in Event Driven Strategies. Our strategy would generally be considered a complimentary or alternative investment strategy. Therefore, we would typically discuss with prospective clients how our strategy diversifies their existing portfolio.

### **Risk of Loss**

Investments in securities always carry the potential for the risk of loss of your invested assets and/or any appreciation of your holdings that have not been realized. Losses in an investment portfolio are a potential event you should be prepared to bear.

We do not represent to our clients, either directly or indirectly, any level of performance or any representation that our professional services will not result in a loss to your invested assets. We do our very best as a prudent investment adviser to manage risk exposures and to prevent losses. However, losses cannot be prevented in all cases.

There can be no assurance that Event Driven Strategies will match or outperform other methods of investment management or protect from loss of principal.

## **Item 9 – Disciplinary Information**

SCM, its principles, and employees do not have any disciplinary items to disclose.

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

John Morris is a Registered Representative of Young America Capital, LLC, a broker-dealer. In his capacity with Young America, he is eligible to receive commissions on products that he recommends to advisory clients. This is a conflict of interest because he has a financial incentive to recommend products that pay commissions. This conflict of interest is mitigated by the following:

- Mr. Morris and SCM will always act in their clients' best interest, as required by fiduciary duty;
- Commissions on products recommended will be disclosed and discussed with clients at the time of recommendations;

- Clients always have the choice of whether to accept Mr. Morris's recommendations; and
- Clients always have the right to use another representative and another securities firm if they choose to follow Mr. Morris's recommendations, and are under no obligation to conduct any transactions through Mr. Morris.

## **Item 11 – Code of Ethics**

SCM's business is built on a foundation of trust. Maintaining the trust of SCM's clients, regulators, and the general public is SCM's first obligation. SCM's principals and employees must comply with applicable federal and state securities laws.

SCM's Code of Ethics is based on the fundamental fiduciary principle that SCM employees must put client interests first. This Code of Ethics and other written policies and procedures contain requirements that all SCM employees must follow to meet legal and regulatory requirements as well as fiduciary standards. This Code of Ethics and other written policies and procedures instruct associates to use SCM assets, including confidential information, only for legitimate business purposes – and not for their own personal benefit.

SCM employees may not take advantage of their position for the purpose of furthering any private interest or as a means to making any personal gain. All employees must maintain the confidentiality of client information in accordance with SCM's privacy and confidentiality policies. To implement the above principles and standards, this Code of Ethics includes procedures related to the following important areas:

- Personal trading restrictions relating to the investment activities of SCM's Employees and related persons;
- Procedures requiring "Access Persons," to report their personal securities transactions and holdings and to pre-clear certain personal securities transactions; and
- Policies that prohibit associates from engaging in securities transactions based on "inside information" or disseminating inside information to others.

## **Item 12 - Brokerage Practices**

### **Selection or Recommendation of Broker-Dealers for Client Transactions**

Our clients retain SCM on a discretionary basis and SCM is authorized to determine and direct execution of portfolio transactions. SCM's principle focus relative to selecting a broker is that our clients receive the most efficient and favorable execution of client transactions without consideration of financial or any other benefit(s) to SCM. This does not mean that lowest cost is the only factor, but whether the transaction represents the best qualitative execution, considering the

full range of a broker-dealer's services, including execution capability, commission rates, and responsiveness.

SCM has selected Charles Schwab as our primary custodian based on the criteria above.

### **Aggregation of Orders**

SCM may aggregate orders to effect a larger transaction and thereby reduce transaction costs. SCM then allocates the securities among the participating accounts. Generally, for each account, such batched transactions are averaged as to price and allocated as to amount in accordance with daily purchase or sale orders actually placed for such account. Generally, all accounts that are batched will participate on a pro-rata, relative order size, percentage, or other objective basis. Orders may be batched to facilitate best execution, as well as for the purpose of negotiating more favorable brokerage commissions beneficial to all accounts.

### **"Soft Dollars"**

In addition to trade execution, brokers who effect transactions for our client accounts may provide SCM with investment research services. While these transactions with certain brokers are not per an agreement, they do create a conflict of interest. SCM has an incentive to use brokers who provide research versus brokers who do not, though those brokers may not be the least expensive in executing trades. Not all brokers provide research to SCM. We mitigate this conflict of interest by ensuring that the research services provided by the broker/dealers inure to the benefit of all our clients as evidenced by the use of this research in formulating investment advice for all our clients. Further, all brokers used by SCM are considered discount brokers.

### **Item 13 – Review of Accounts**

Accounts are reviewed at least quarterly by SCM to ensure that the investment allocations are consistent with SCM's prescribed strategy and objectives. More frequent reviews may be dictated by market conditions and the specific event driven strategy employed.

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

SCM does not pay any solicitor for client referrals, nor does SCM receive any compensation other than advisory fees in connection with advisory services.

### **Item 15 – Custody**

SCM is not a custodian of our client's funds.

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

The custodian does not calculate the amount of the fee to be deducted. It is important for clients to carefully review their invoices and custodial statements to verify the accuracy of the calculation. Clients should contact us directly if they believe that there may be an error in their statement.

### **Item 16 – Investment Discretion**

SCM has the authority to determine the securities to be bought or sold in a client's account. The Advisory Services Agreement grants this authority to SCM and limits this discretion to investment selection, price and quantity of securities selected, and timing of trades.

### **Item 17 – Voting Client Securities (i.e. Proxy Voting)**

SCM does not vote proxies as indicated in the Advisory Services Agreement.

### **Item 18 – Financial Information**

SCM does not collect fees of more than \$1200.00, six months or more in advance. SCM has never filed for bankruptcy and is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

## Form ADV Part 2B Brochure Supplement

March 3, 2021

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This brochure supplement provides information about **John Morris, Managing Member**

You should have received a copy of SCM's Part 2A ADV, as we include this Brochure Supplement with all copies. Please contact our Chief Compliance Officer, Mr. John Morris at 720-406-7790 or [jmorris@seraphimcapitalmanagement.com](mailto:jmorris@seraphimcapitalmanagement.com) if you did not receive Seraphim Capital Management's Brochure or if you have any questions.

Additional information about Mr. Morris is available on the SEC's website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Mr. Morris's CRD Number is #340494.

## **John P. Morris, Managing Member and Chief Compliance Officer**

Born 1950

### **Education Background and Business Experience**

John Morris has over 30 years of experience in the securities business. Prior to founding Seraphim Capital Management, John held Senior Vice President positions at several New York based alternative and traditional advisory firms including Asiel Securities, Churchill Capital, and the Kellogg Group from 2006-2010. In 2010, John joined Catamount Wealth Management in Boulder, Colorado and provided research and investment opportunities for the family wealth office. John earned a BS degree in Marketing and Economics from Mercy College in Dobbs Ferry, New York.

Security Examinations: Series 1, 4, 5, 7, 8, 15, 24, 55, 63 and 65

### **Disciplinary Information**

Mr. Morris does not have any legal, financial or other disciplinary item(s) to report or disclose.

### **Other Business Activities**

Mr. Morris is Senior Vice President and Regional Manager for The Gottesman Company, a business broker facilitating mid-market merger and acquisition (M&A) activity. Gottesman is not a registered broker-dealer or other financial industry firm. Mr. Morris provides consultation to Gottesman and their clients, and may introduce clients to Gottesman. Mr. Morris does not receive compensation for consulting work, but may receive a success fee in connection with M&A transactions in which he assists. Any advisory client that Mr. Morris introduces to Gottesman shall, up front, receive full written disclosure of any financial interest that Mr. Morris has in the transaction.

Mr. Morris is a managing member with Dynamic Alternative Finance. In this role, he seeks institutional investors for alternative investments. This activity constitutes approximately 10% of Mr. Morris's time.

Mr. Morris is a Registered Representative of Young America Capital, LLC. Please refer **to Item 10: Other Financial Industry Activities and Affiliations** in the firm's ADV Part 2A on Page 10 of this document for details about this role and the conflicts of interest therein.

### **Additional Compensation**

Neither Seraphim Capital Management nor Mr. Morris receive additional compensation or any economic benefit from third parties in connection with providing investment advice to clients.

## **Supervision**

As Managing Member, John Morris is responsible for the supervision of firm activities as well as the investment advice offered to clients. If you would like to contact Mr. Morris about his roles, he can be reached at 720-406-7790.

As the Chief Compliance Officer, Mr. Morris is responsible for the implementation and administration of SCM's Compliance Program and regulatory requirements.