

# MORTONCapital

## Form ADV – Part 2A (Client Brochure)

*October 29, 2021*

### **Item 1: Cover Page**

This Client Brochure, the Part 2A of Form ADV (“Disclosure Brochure” or “Brochure”), is required under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). This Client Brochure provides information about the qualifications and business practices of Morton Capital Management, LLC (referred to as “MCM” or “Adviser”).

For any questions about the contents of this Brochure or to request another copy, please contact MCM’s Chief Compliance Officer, Menachem Striks, at 818-222-4727. 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. Morton Capital Management is a registered investment adviser with the SEC. However, SEC registration does not imply any level of skill or training.

Additional information about MCM is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). On the website, select “investment adviser firm” and type in the firm name.

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## Item 2. Material Changes

This “Summary of Material Changes” describes material changes made to Morton Capital’s Brochure from our last annual update. Since our last annual updating amendment filed in March 2021, we have amended this disclosure brochure to reflect the following:

*Item 4- Advisory Business*, was amended to include a description of MCM’s role as General Partner and manager of a private fund (“RBE Capital Partners Fund, LP” or “RBE”) as of August 31, 2021, and to provide information on MCM’s Business Consulting (“Strategist”) services.

*Item 5- Fees and Compensation*, was amended to include a description of MCM’s standard fee arrangement for its Business Consulting (“Strategist”) services.

*Item 6- Performance-Based Fees and Side-by-Side Management*, was amended to clarify that MCM will not receive any management fees or performance-based fees for its role as manager of RBE.

*Item 10- Other Financial Industry Activities and Affiliations*, was amended to include disclosures regarding MCM’s role as General Partner and manager of RBE as of August 31, 2021; as well as adding details regarding the insurance sales activities of a party related to one of MCM’s investment adviser representatives.

*Item 15- Custody*, has been amended to reflect that MCM is deemed to have custody over funds or securities held by RBE.

Morton Capital has made other minor changes throughout its Brochure but views these changes as non-material.

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## Item 4. Advisory Business

### A. Description of the Firm:

Morton Capital Management, LLC, is a California limited liability company and is owned by members of MCM's management and executive team. The Managing Members of MCM are Meghan Pinchuk, Jeffrey Sarti and Eric Selter. MCM was founded in 1981 and registered as an investment adviser with the Securities and Exchange Commission in 1983.

As of December 31, 2020, MCM managed \$2,210,883,036 in total assets, \$2,120,478,789 of which is managed on a discretionary basis and \$90,404,247 on a non-discretionary basis.

### B. Types of Advisory Services Offered:

#### Investment Advisory Services

MCM provides customized investment advisory and financial planning services, with a goal of building long-term relationships based on trust. MCM designs and implements standardized investment strategies based on general investment guidelines provided by its Investment Committee. Each client portfolio is then customized to consider a client's unique objectives, including goals, risk tolerance, time horizon, liquidity needs and concerns. MCM places an emphasis on managing risk with the objective of reducing volatility. In order to provide clients with more objective advice, MCM operates on a fee-only basis and does not accept commissions from any source.

Generally, MCM provides investment advisory services on a discretionary basis.<sup>1</sup> For more information on discretion, please see Item 16, "Investment Discretion." MCM's investment advisory services usually include, but are not limited to:

- Analyzing a client's current financial situation and prior investment experience
- Helping clients set goals to determine the appropriate time horizon, investment objectives, and amounts of money needed to accomplish investment goals
- Reviewing a client's risk profile to help define the tolerance for risk
- Designing and implementing an asset allocation strategy by selecting appropriate asset classes and determining how to allocate investable funds among those asset classes.
- Monitoring performance of funds and managers

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<sup>1</sup> "Discretionary basis" means that MCM has the power to buy and sell securities in a client's accounts without previously notifying the client. However, decisions are made based on a client's investment strategy and restrictions.

- Performing ongoing analysis of a client's portfolio performance
- Modifying and rebalancing portfolios based on a client's changing needs and MCM's analysis of individual portfolio performance
- Assessing applicable market and economic conditions

While MCM generally manages client assets on a discretionary basis, in certain circumstances MCM provides services on a limited discretionary or non-discretionary basis. As described above, MCM customizes its advisory services to a client's individual needs and invests within any communicated restrictions that are placed on the types of securities within a portfolio.

Private Funds:

MCM serves as the General Partner and provides investment advisory services to RBE Capital Partners Fund LP ("RBE " or the "Fund") as of August 31, 2021. RBE Capital Partners Fund, LP was formed in August 2010 for the purpose of making a loan to a company that primarily purchased defaulted credit card debt and looked to settle that debt with consumers. The sole asset held by RBE is the loan to this company, and RBE is currently seeking repayment on the loan with the goal of returning the proceeds to its investors. RBE is not open to new investors.

Pursuant to RBE's Amended Limited Partnership Agreement, MC replaced the original General Partner and became the successor General Partner effective as of August 31, 2021. MC will not charge a management fee or receive any compensation for its role as General Partner and manager of the Fund.

Please see *Item 10- Other Financial Industry Activities and Affiliations*, for additional information regarding the Fund.

Independent Managers:

In some cases, MCM recommends to Clients that all or a portion of their portfolio be implemented by utilizing one or more unaffiliated money managers. Access to Independent Managers may be provided by MCM through a sub-advisory relationship between MCM and the Independent Manager, and/or through a direct contractual engagement between the Client and the Independent Manager. Clients may be required to enter into a separate advisory agreement directly with the Independent Manager selected, which is in addition to the agreement entered into between the client and MCM. MCM will serve as the Client's primary advisor, assisting and advising the Client in establishing investment objectives for the account[s], the selection of the Independent Manager[s], defining any Client investment restrictions and other support with respect to the account[s]. The Independent Manager[s] will have the discretion over the investments in the account[s] and will manage the account[s] consistent with the stated mandates of the strategy.

In consideration for such services, the Independent Managers will charge their own respective fees, which are separate and in addition to MCM's fees. The Independent Manager may assume responsibility for fee billing, and fees are generally billed separately from fees charged by MCM. MCM will not receive different levels of compensation or any additional fees depending on the Independent Manager selected.

**Financial Planning Services:**

Financial planning services on various levels are provided upon request to MCM's new and existing investment management clientele and are generally performed as a part of MCM's investment advisory services. Financial planning services are offered on a comprehensive or limited focus basis supported by an analysis of the client's current situation, goals, and objectives. Information is obtained through personal interviews and the review of related documents and data supplied by the client. After receipt of all requested documents and the performance of financial planning reviews by MCM personnel, a written financial plan is prepared and provided to the clients. The implementation of financial plan recommendations is entirely at the discretion of the client.

Our financial planning services include, but are not limited to, one or more of the following areas:

*i. Financial Goals*

MCM helps clients identify financial goals and develop a plan to reach them. This includes identifying their financial goals, the necessary resources to achieve them, how much time they will need to reach them, and how much they should budget for each goal.

*ii. Retirement Planning*

MCM's retirement planning services typically includes projections of the client's likelihood of achieving financial independence. For situations where projections show less than the desired results, MC will suggest various ideas to consider in order to achieve the desired results. On occasion, these suggestions will impact the original projections by adjusting certain variables (i.e., working longer, saving more, spending less, taking more risk with investments). If the client is near retirement or already retired, advice is given on appropriate distribution strategies, seeking to minimize the likelihood of running out of money or having to adversely alter spending during their retirement years.

*iii. Estate Planning Review*

While MCM does not provide any legal advice, MCM's review usually includes an analysis of the client's exposure to estate taxes and their current estate plan, which includes a review of their will, powers of attorney, trusts and other related documents as applicable.

In most cases, the analysis of estate plan documents such as wills and trusts will be conducted internally by MCM but may sometimes be conducted by an independent estate planning attorney. Recommendations based on this analysis are provided to the client in a written review document. Recommendations occasionally include ways for the client to manage future estate taxes by implementing estate planning strategies and suggestions for the amendment or redrafting of trust documents or wills.

*iv. Insurance Review*

In most cases, this review will be conducted internally by Morton Capital employees or for more complex needs, this analysis may be performed by an independent insurance professional.

MCM will conduct a review of existing policies in order to examine coverage in areas such as life, health, disability, long-term care, liability, home and automobile.

Regarding estate and tax planning, MCM and MCM professionals are not attorneys, insurance professionals or accountants, and no portion of MCM's services should be interpreted as legal, insurance or accounting advice. You should not rely solely on information, considerations or recommendations provided by MCM, and should consult with your attorney, insurance professional or accountant before implementing any transactions or strategies.

At its discretion, MCM may offer certain new clients more limited financial planning services, which will only include retirement planning using cash flow projections as described above. Clients will generally acknowledge the scope of the financial planning services to be provided as part of a written agreement with MCM.

**Retirement Plan Advisory and Consulting Service:**

MCM also provides retirement plan advisory and consulting services to employer plan sponsors on an ongoing basis. MCM provides the following services to its plan clients:

**Pension/Retirement Plan Consulting Services:**

- Plan Fiduciary Services

- Communication and Education

*Plan Fiduciary Services-* MCM serves as a 3(21) Fiduciary in support of the Plan Sponsor to ERISA Plans, depending on the terms of the agreement with the Plan. MCM provides the following Plan Fiduciary Services under the terms of the Advisor's agreement with each Plan:

- Employee Enrollment and Education
- Performance Reporting
- Ongoing Investment Recommendation and Monitoring

*Communication and Education-* MCM provides Communication and Education to the Plan and its Participants, pursuant to the terms of the Advisor's agreement with each Plan:

- Investment education
- Periodic on-site advisor visits with Plan participants for account updates and reviews
- Periodic Participant group education opportunities

Business Consulting Services:

Business clients may also engage MCM to provide consulting services tailored to each business' needs. Business consulting services provided by MC (referred to as MCM's "Strategist" offering) include:

- Business valuation estimates;
- Exit and succession planning;
- Cash flow planning and liquidity analysis;
- Governance recommendations;
- Coordination of non-affiliated financial, tax and legal professionals;
- Personal financial planning; and
- Private networking opportunities

"Strategist" Consulting services are agreed upon by both parties prior to undertaking the desired service. Clients will sign an agreement which outlines the specific services to be provided by MCM and its associated personnel.

**C. Types of Securities:**

MCM utilizes a variety of securities when constructing client portfolios. MCM believes that portfolios should contain various assets that are not all correlated to one another, and thus utilizes alternative investments in an effort to seek diversification benefits in addition to the

traditional asset classes of cash, fixed income and equities in client portfolios.

For purposes of these categorizations, equities are defined to include common stocks, exchange traded funds (“ETFs”), equity mutual funds, publicly traded master limited partnerships, and publicly traded real estate investment trusts (“REITs”). Fixed income investments include government bonds, municipal bonds, corporate bonds, high yield bonds, foreign bonds, fixed income mutual funds, and structured notes. Alternative investments include private investments in limited liability companies or limited partnerships (e.g., private investment funds) that include, but are not limited to, strategies such as real estate equity, private lending, or private equity, among others. Cash represents either money market funds or cash equivalents.

A large portion of clients’ portfolios are invested in retail and institutional share class mutual funds and ETFs. MCM also utilizes interval funds for its investment portfolios. When appropriate, MCM presents certain clients with opportunities to invest in private investments in limited liability companies, limited partnerships, or other alternative strategies (together “private funds”). Private fund investment opportunities are not available to all clients and are based on several factors, including but not limited to, a client’s sophistication, risk tolerance and qualifications, net worth, investment objectives, and amount of assets in client account(s).

In limited situations, or upon request, such as for some large accounts or accounts with a specific concentrated stock position, MCM will also employ options strategies such as covered calls. These strategies require margin accounts and are subject to additional risks.

See Item 8 below for additional details and a discussion of the specific risks involved in the above strategies.

## **Item 5. Fees and Compensation**

### **A. Investment Advisory Service Fees:**

MCM is compensated for its services on a fee-only basis. MCM’s standard fees are based upon a percentage of assets under management and generally range from 0.50% to 1.00% on a tiered basis or, on occasion, advisory fees may be a flat fixed amount (please see descriptions below). These fees are subject to negotiation. MCM’s fees are generally based on the standard schedule below:

Percentage of the Net Asset Value. Based on the net asset value of the account as of the end of the preceding calendar quarter, to be paid quarterly in advance:

100 basis points (1%) per annum on the first \$5,000,000

50 basis points (1/2 of 1%) per annum on amounts above \$5,000,000

A minimum fee of \$3,000 per quarter (\$12,000 per annum) applies. MCM has discretion to waive or reduce the minimum fee level for any client at any time.

Fixed Fee. While most clients are charged an asset-based management fee, MCM will occasionally negotiate an annual flat rate management fee with certain clients. In those cases, a fixed annual fee is agreed upon with the client and is billed quarterly in advance.

MCM bills for fees on a quarterly basis based on calendar quarters and asset-based fees are calculated using the account's asset value (including cash and cash equivalents) as of the last business day of the prior quarter unless otherwise agreed upon. The fees are automatically deducted directly from the client's account unless a direct bill is agreed upon. Fees are generally billed in advance, and due on the first day of the quarter. Advisory fees are never charged more than six months prior to the performance of services.

Prior to engaging MCM to provide advisory services, clients are required to enter into a written Investment Advisory Agreement (the "Agreement") with MCM setting forth the terms under which MCM will provide its services. The exact services provided, and applicable fee schedule will be agreed upon and disclosed in the Agreement. The Agreement is terminable at will by either party upon receipt of written notice to the other party.

Through the Agreement, clients provide MCM with authority to invoice the client's custodian directly for payment of MCM's fees. Upon receipt of the invoice, the custodian will debit the fees from the client's account and credit that amount to MCM's fee account. Clients will receive a periodic (at least quarterly) account statement from their custodian, reflecting among other things, any fees withdrawn by the custodian and paid to MCM. **Clients are urged to compare statements received by their custodian, with those statements sent by MCM and/or made available on MCM's client portal.**

MCM has discretion to change, waive or reduce fees or to enter into a fee agreement other than the standard fee schedules shown above. Some of the factors relevant to the decision to charge different fees are the account size, type of client, investment strategy and the nature of the relationship between MCM and the client.

Should a client begin its relationship with MCM during a quarter, the asset management fee may be prorated for assets held for a partial quarter based on the number of days that the

account was open during the quarter. If MCM's services are terminated during the quarter, clients will receive a pro rata refund of any pre-paid unearned advisory fees. Management fees will be calculated through the termination date and any unearned portion of prepaid fees will be returned to the client. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

**B. Other Fees and Expenses:**

The advisory fees described above do not include any management or other fees charged by mutual funds, structured notes, hedge funds, private money managers, or any other investment providers.

Clients' assets invested in mutual funds and ETFs are subject to certain fees and expenses, which are imbedded in the price of the mutual fund or ETF. These fees are described in each fund's prospectus and generally include a management fee and administrative expenses. Mutual funds also charge a distribution/service fee (i.e., 12b-1 fee) and in some cases, a front in load (commission) or deferred sales or surrender charge. Generally, MCM does not invest client monies in mutual funds that charge loads. Transactions in mutual funds and ETFs also are subject to transaction fees charged by the broker executing the transaction. MCM does not receive any portion of these additional fees.

Client assets invested in hedge funds or unaffiliated private funds are subject to management fees and other fees and expenses (including performance/incentive-based fees) as described in each fund's offering materials. These fees are separate from and in addition to the fees charged by MCM. MCM does not receive any portion of these additional fees and is not otherwise compensated for referrals to any private funds.

Effective as of August 31, 2021, MC serves as the General Partner of RBE Capital Partners, LP ("the Fund"). MC will not charge a management fee or receive any other compensation for its role as General Partner of the Fund. The Fund will pay its own operating expenses, including but not limited to: organizational, legal, and accounting, investment and administrative, auditing, and other expenses and fees.

In some cases, MCM will select other advisers for the management of a portion of client's assets. Assets invested with separate advisers recommended and/or utilized by MCM are subject to additional management fees as described in each adviser's disclosure brochure (Form ADV Part 2A). Such fees are in addition to MCM's management fees. MCM does not receive any portion of these additional fees and is not otherwise compensated for referrals to any other adviser.

Advisory fees are also in addition to any transaction or custodial fees charged by the account's custodian. All custodial fees and any other charges or commissions incurred in connection with transactions for a client's account will be paid out of the assets in the account. For more information on custodians and brokerage, please see the "Brokerage Practices" section of this Brochure.

Clients should carefully review the fees charged by their brokers, custodians, mutual funds, ETFs, Independent Managers and Private Funds in which clients' assets are invested, together with the fees charged by MCM, to fully understand the total amount of fees to be paid by the client.

**C. Important Considerations:**

**Pricing and Valuations of Securities:**

MCM's fees are generally based on the value of assets held in client accounts. When determining market value of an account for purposes of calculating advisory fees, MCM's policy is as follows: For all publicly traded securities held in client accounts, MCM relies on asset prices obtained from MCM's custodian or broker/dealers to determine the value of those assets.

For investments in privately held securities, MCM will book the initial price of the assets at the cost of the acquisition, which generally represents fair market value at acquisition. MCM will then rely upon the valuations provided by the General Partner or Managing Member of the private fund ("the Issuer") for updated valuations on an ongoing basis. MCM will review the methodology utilized to determine the valuation and, if appropriate, may apply its own valuation methodology in adjusting the valuation provided by the issuer. Any adjustments will typically result in a lower valuation than that provided by the issuer. Adjustments may be made when MCM believes that market valuations are heightened relative to historical norms or when assets are less marketable and have a wider range of potential values. In these instances, MCM believes it is prudent to make an adjustment to reflect a more conservative valuation. In addition, MCM's policy is typically to hold private lending strategies at par unless the asset is impaired.

MCM typically reviews the pricing of privately held securities on a quarterly or annual basis depending upon the type of security, and monitors developments that may affect issuers or the securities' valuations.

There may be instances where the fair value price assigned by MCM to certain privately held

investments can differ from the valuations assigned by a client's custodian for the same investments, particularly if the valuation assigned by MCM is based on data sources not yet available to the custodian. MCM will only assign a different valuation to an asset than the one assigned by an account custodian when it reasonably believes that MCM's valuation is more accurate. When determining the value of an asset for purposes of calculating advisory fees, MCM's fair value price assigned to the asset will be used.

**Use of Margin:**

There are times when a margin account is used to purchase securities for clients. Using margin is not suitable for all investors: the use of margin increases leverage in a client's account and therefore increases overall risk. In addition, clients with margin accounts will be charged margin interest by the brokerage firm on the debit balance in their account. Please refer to Item 8 below for additional information on the risks associated with margin accounts.

**D. Financial Planning Service Fees**

MCM offers financial planning services as an integral part of its investment advisory services and therefore does not charge additional financial planning fees for investment advisory clients.

At our discretion, we may enter into an engagement with a client to create a one-time, customized financial plan on a fee basis. A client's fee for financial planning services depends upon the complexity of the engagement and scope of work. A typical plan will include topics described in the "Financial Planning Services" section above as agreed upon by MCM and the client. Fees for such a plan are determined on a case by case basis, based on the complexity of the engagement and scope of the work. Standard fees are generally charged on a fixed fee basis ranging between \$2,000 and \$35,000 or by the hour at \$350/hour depending on the breadth of services provided and the complexity of the client's situation. Prior to commencing financial planning services, the client will be required to enter into an agreement for services.

If a one-time financial planning client later decides to engage MCM for investment advisory services, fees paid for MCM's financial planning services will be credited toward their investment advisory fees. MCM has discretion to enter into a fee agreement that is different from the fees described above.

**E. Business Consulting Fees**

MCM also provides stand-alone business consulting ("Strategist") services at a standard rate of \$8,000 per quarter, billed each quarter in advance. Stand-alone business consulting

arrangements will be negotiated with each client in terms of services needed and fees charged and will be memorialized under separate agreement.

MCM maintains sole discretion to change, waive or reduce the consulting fee or enter into an agreement other than the standard fee reflected above.

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

MCM does not charge any performance-based fees. Performance-based fees are based on a share of capital gains or capital appreciation of the assets of a client. An adviser charging performance fees to some accounts faces a variety of conflicts because the adviser can potentially receive greater fees from its accounts having a performance-based compensation structure than from those accounts it charges an asset-based fee. As a result, the adviser could have an incentive to direct the best investment ideas to, or allocate trades in favor of, the account that pays a performance fee. As described above, MCM provides investment advisory services for a fixed fee or based upon a percentage of assets under management.

Some of the Private Funds that MCM clients invest in do charge performance/incentive fees, which are outlined in the respective Fund's offering documents and should be reviewed carefully by investors prior to investing. MCM does not receive a portion of any performance/incentive fee paid to any Private Fund.

MCM serves as the General Partner and manager of RBE Capital Partners Fund, LP effective as of August 31, 2021. MCM will not charge a management fee or receive any other compensation for its role as General Partner of the Private Fund.

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

MCM typically offers its services to individuals and families (including retirement accounts), pension and profit-sharing plans, trusts, estates, charitable organizations, corporations and other business entities, and pooled investment vehicles.

Because MCM's services are targeted mainly for accounts of over \$1,000,000, it may limit the number of smaller accounts that it chooses to accept. MCM retains discretion to waive or change the advisory fee for any account, or to decline any potential client for any reason. As

noted in Item 5, MCM charges a minimum fee of \$12,000 per annum and MCM has the sole discretion to reduce or waive this minimum annual fee.

If a Client's account is a pension or other employee benefit plan governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), MCM may be a fiduciary to the plan. In providing our investment management services, the standard of care imposed upon us is to act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. MCM will provide certain required disclosures to the "responsible plan fiduciary" (as such term is defined in ERISA) in accordance with Section 408(b)(2), regarding the services MCM provides and the direct and indirect compensation received by MCM. Generally, these disclosures are contained in this Form ADV Part 2A, the client agreement and/or in separate ERISA disclosure documents, and are designed to enable the ERISA plan's fiduciary to: (1) determine the reasonableness of all compensation received by MCM; (2) identify any potential conflicts of interests; and (3) satisfy reporting and disclosure requirements to plan participants.

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

MCM's methodology for selecting an appropriate portfolio strategy is based on an understanding of each client's financial circumstances and risk tolerance based on information provided by the client to MCM, combined with widely accepted principles of modern portfolio management as developed since the 1950s. The first step in the process is a personal interview to determine client's financial status, goals, investment experience, and attitude towards investing. This personal interview helps MCM establish an asset allocation that it believes to be suitable.

MCM selects asset allocation targets using the principles of modern portfolio management. These principles include concepts such as diversification, statistical measurement of investment volatility, and quantification of risk versus reward. Investment portfolios are diversified with respect to asset classes and manager styles to minimize the risks associated with individual securities, specific asset class, style, or manager. However, it is worthwhile to note that while diversification can reduce specific investment risk, it cannot eliminate risk entirely. As such, every portfolio will have the potential for loss and investors should be prepared for possible losses.

Since MCM is not affiliated with any mutual fund, managed account investment companies, or other third-party investment managers, its approach is not influenced by monetary considerations associated with proprietary products.

MCM relies heavily on research materials prepared by others, including corporate rating services, investment banks, and third-party research firms to stay current with economic and financial-market-related news and developments. MCM also utilizes databases and other research services such as Morningstar or Bloomberg to research and gather information on specific investments or market sectors as well as general economic and financial market conditions. Members of the research team, advisers and/or Investment Committee members also participate in quarterly or more frequent conference calls with mutual fund managers, market strategists, and economists. Members of the research team and/or Investment Committee occasionally attend conferences or conduct face-to-face interviews with managers.

***Traditional Investment Strategies:*** The majority of clients' portfolios are invested in retail and institutional share class mutual funds and ETFs (exchange-traded funds). Both quantitative and qualitative research methods are used to evaluate investments and create an approved investment list. From a quantitative methodology, MCM considers such factors as:

- The length of a manager's tenure
- The investment's track record
- Its performance versus peers and benchmarks
- Fund research capabilities, portfolio concentration, tax-efficiency, and expense ratios

Performance is analyzed using widely accepted statistical measures such as alpha, beta, standard deviation of return, and upside/downside performance over varying time frames using computer-based, analytical tools. With respect to fixed-income managers, MCM considers additional factors such as credit quality, duration or interest-rate sensitivity, and liquidity.

Following a quantitative research process, the qualitative process includes the use of in-depth third-party research and personal interviews to evaluate the suitability of the portfolio or fund manager for inclusion on MCM's approved investment list. MCM focuses the qualitative investigation on manager knowledge, discipline, passion, and shareholder orientation. The process is ongoing with the research team and advisors monitoring individual investment and total portfolio performance. If there is a change in management or strategy of a particular investment, the qualitative and quantitative assessment is reinitiated to determine if the investment is still suitable for inclusion in client portfolios.

***Private Alternative Investment Strategies:*** MCM believes that alternative investment strategies can add valuable diversification benefits to portfolios that cannot be obtained through investments in only stocks and bonds. Where appropriate, MCM presents certain clients (i.e.,

Accredited Investors<sup>2</sup>, Qualified Clients<sup>3</sup>) with opportunities to invest in limited liability companies, limited partnerships, or other alternative strategies. These investments include, among others, hedging strategies, real estate equity, private lending, and private equity (together “Private Funds” or “private investment funds”). These investments, unlike stocks and bonds that are regularly traded, can experience illiquidity and pricing inconsistencies. As a consequence, and in compliance with existing regulations, private funds require a client’s approval before any investment is made.

Any client who subscribes, or proposes to subscribe, for an investment in a private fund must be able to bear the risks involved and must meet the fund’s suitability requirements. Some or all alternative investment programs may not be suitable for certain investors. No assurance can be given that a private fund’s investment objectives will be achieved. **Private fund investments are speculative and involve a substantial degree of risk, including a total loss of principal.** Private funds are generally highly illiquid, with each private fund investment having varying degrees of illiquidity depending on the type of fund and its underlying investments. There is generally no secondary market for a private fund, and none should be expected to develop. Additionally, there are restrictions on withdrawal/redemption and transferring interests in a private fund, so investors may not have access to capital on demand.

The processes and strategies for the private funds used by MCM are disclosed in each private fund’s offering documents. A fund’s concentration in a certain sector and lack of diversification across other sectors present risks specific to its strategy and should be carefully considered. Private funds utilized by MCM are subject to these as well as various other risk factors and conflicts of interest. Risks specific to each private fund are outlined in each fund’s offering documents and should be reviewed by the client prior to investment.

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<sup>2</sup> Rule 501 of Regulation D defines “Accredited Investor” as including, but not limited to: (i) a charitable organization, corporation, or partnership with assets exceeding \$5 million; (ii) a director, executive officer, or general partner of the company selling the securities; (iii) a business in which all the equity owners are accredited investors; (iv) a natural person who has individual net worth, or joint net worth with the person’s spouse, that exceeds \$1 million at the time of the purchase, excluding the value of the primary residence of such person; (v) a natural person with income exceeding \$200,000 in each of the two most recent years or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year; or (vi) a trust with assets in excess of \$5 million, not formed to acquire the securities offered, whose purchases a sophisticated person makes.

<sup>3</sup> Rule 205-3 defines a “Qualified Client” as including: (i) a natural person or company with at least \$1,000,000 under management of the investment adviser immediately after entering into the contract (the “Assets Under Management Test”) OR (ii) a natural person or company that the investment adviser reasonably believes, immediately prior to entering into the contract has a net worth (together with his or her spouse) of more than \$2,100,000 (excluding the value of their primary residence) at the time the contract is entered into (the “Net Worth Test”).

**Interval Funds:** MCM has discretion to utilize interval funds when appropriate for its investment portfolios, and interval funds will generally represent a meaningful portion of a client's portfolio.

An interval fund is a type of investment company that periodically offers to repurchase its shares from shareholders. Shareholders are not required to accept these offers and sell their shares back to the fund. Although classified as closed-end funds, they are very different from traditional closed-end funds in that:

- Their shares typically do not trade on the secondary market. Instead, their shares are subject to periodic repurchase offers by the fund at a price based on net asset value.
- They are permitted to (and many interval funds do) continuously offer their shares at a price based on the fund's net asset value.

An interval fund will make periodic repurchase offers to its shareholders, generally every three, six or twelve months, as disclosed in the fund's prospectus and annual report. Interval funds may have limits (or "gates") on the total amount of shares that can be repurchased at a given date, often for as little as 5% of outstanding shares. If more shares are tendered for redemption than the allowable limit, shareholders will not be able to sell all of the shares they desire at that particular opening.

Investing in interval funds involve a high degree of risk. In particular, interval funds are suitable only for investors who can bear the risks associated with the limited liquidity of the funds and should be viewed as a long-term investment. Limited liquidity is provided to shareholders only through the interval funds' quarterly repurchase offers for as little as 5% of the Fund's shares outstanding at net asset value. There is no guarantee that shareholders will be able to sell all of the shares they desire in a quarterly repurchase offer. An interval fund's investments are also subject to liquidity and other risks, as described in more detail below.

**Given the lack of secondary market, the infrequent nature of the offers to buy back shares, and the liquidity gates (or re-purchase limits), shareholders should consider the shares of interval funds to be illiquid.**

**Structured Notes:** MCM may include structured notes within its investment portfolios when deemed appropriate. Structured notes have a relative lack of liquidity due to the highly customized nature of the investment and rarely trade after issuance. Moreover, the full extent of returns from the complex performance features is not realized until maturity. Selling before maturity may be at a significant discount. Because of this, structured notes tend to be more of a buy-and-hold investment decision. Counterparty risk is another inherent risk with structured notes. A principal protected note is backed by the firm that issued the note. In the case of a bankruptcy of the issuer, the note holder would be repaid at a rate equivalent to other

senior unsecured debt holders of the firm. Principal protected notes are not usually FDIC insured. Principal protection may only be partial, or “buffered,” or contingent based upon a stated event occurring.

Full disclosure of the risk factors on structured notes is available from the relevant term sheets and prospectuses/offering documents, which generally are provided to clients at the time of investment by the executing broker. Clients should carefully review these documents for complete risk information.

For a further discussion of the features and risks of structured notes, please review the SEC’s Investor Bulletin on structured notes found at: [www.sec.gov/oiea/investor-alerts-bulletins/ib\\_structurednotes.html](http://www.sec.gov/oiea/investor-alerts-bulletins/ib_structurednotes.html)

**Options Strategies:** When appropriate, MCM will employ options strategies for client accounts. Generally, MCM only employs options strategies for large accounts or accounts where there is a specific concentrated stock position. An option is a financial derivative contract that offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date). These strategies include, but are not limited to, covered calls, which are designed to generate income on an existing equity position, and the purchase of options, which can result in the complete loss of premium paid for the underlying option. Clients must complete the necessary custodian paperwork and meet certain thresholds to be qualified for options trading capability. Price movements of options contracts are usually guided by the price of the underlying security, implied volatility, interest rates, and, where applicable, the dividend on the underlying security. Clients are also subject to the risk of the failure of any of the exchanges on which the options are traded or of their clearinghouses or counterparties.

Below are some of the main risks associated with investing in options:

- When writing covered call options to produce income for a client’s account, there can be times when the underlying stock is “called” (call option contract exercised or assigned) by the investor that purchased the call option. That means the client would be required to sell the underlying security at the exercise (pre-determined) price to that investor.
- Clients are usually required to open a margin account in order to invest in most options, which carries additional risks (see below) and would result in margin interest costs to the client.
- Option positions tend to be adversely affected by company specific issues (the issuer of the underlying security) which can include, but are not limited to, bankruptcy,

insolvency, failing to file with regulatory bodies, being delisted, having trading halted or suspended, corporate reorganizations, asset sales, spin offs, stock splits, mergers and acquisitions. In addition, market related actions, political issues, and economic issues can adversely affect the option market. These factors could restrict, halt, suspend, or terminate option positions written (sold) or purchased.

- Changes in value of the option do not always correlate with the underlying security, and the account could lose more than principal amount invested.

Options involve risk and are not suitable for all clients. Therefore, a client should read the option disclosure document, "Characteristics and Risks of Standardized Options", which can be obtained from any exchange on which options are traded, at [www.optionsclearing.com](http://www.optionsclearing.com), or by calling 1-888-OPTIONS, or by contacting your broker/custodian.

**Margin Accounts:** Using margin is not suitable for all clients and there are a number of risks that clients should consider when deciding to open a margin account. These risks include, but are not limited to the following:

- A client can lose more assets than initially deposited in the margin account. A decline in the value of securities that are purchased on margin would require a client to provide additional monies to the account to avoid the forced sale of those securities or other securities in your margin account.
- The brokerage firm can force the sale of securities in the account. If the equity in the account falls below the maintenance margin requirements under the law—or the brokerage firm's higher "house" requirements—the brokerage firm can sell the securities in the account to cover the margin deficiency. The client will also be responsible for any short fall in the account after such a sale.
- The brokerage firm can sell securities in the account without contacting you. Some investors mistakenly believe that a brokerage firm must contact them for a margin call to be valid, and that the brokerage firm cannot liquidate securities in their accounts to meet the call unless such firm has contacted them first. This is not the case. As a matter of good customer relations, most brokerage firms will attempt to notify their customers of margin calls, but they are not required to do so.
- Account holders are not entitled to an extension of time on a margin call. While an extension of time to meet initial margin requirements may be granted by the brokerage firm under certain conditions, they are not required to provide any extension. In addition, they also are not required to provide an extension of time to meet a maintenance margin call.

**Material Risks:**

All investing involves a significant risk of loss and the investment strategies offered could potentially lose money over any given period of time, including loss of the principal amount invested. While diversification is an important tool in reducing the unique risk associated with a single investment, it cannot completely protect against portfolio losses. While research can indicate a reasonable expectation of loss over any 12-month period, stressed markets – as experienced in 2008 and 2009 – can lead to larger-than-expected losses. Clients should be aware that there can be no assurance that their investment objectives will be obtained and that volatility from investing can occur. Past performance is no guarantee of future results. MCM maintains regular communication with its clients to better understand their tolerances for risk and any changes to their financial circumstances that may require modification of the portfolio strategies.

Performance of asset classes utilized by MCM could be negatively impacted by a number of different risks, including, but not limited to:

- Market Risk: There is a risk that individual stocks will decline as a consequence of a general market decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. This type of risk is caused by external factors independent of a security's particular underlying circumstances.
- Foreign Risk: Investments in foreign securities pose additional risks, including currency fluctuation and political risks, and such investments can be more volatile than U.S. only investments. These risks are generally intensified for investments in emerging markets.
- Currency Risk: Foreign investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- Value Investment Risk: Some of MCM's investments follow a value-oriented strategy. Value stocks may perform differently from the market as a whole, and following this strategy may cause these investments to at times underperform investments that utilize other strategies.
- Default Risk: The value of investments in whole loans and other lending-related securities is entirely dependent on the borrowers' continued and timely payments. The underlying investment receives payments only if the party servicing the loans receives

the borrower's payments on the corresponding or underlying loan. If a borrower fails to make interest payments or repay principal when due, or if the value of such a loan decreases, the value of the investments will be adversely affected.

- Non-Diversification Risk: The chance that overall performance may be hurt disproportionately by the poor performance of relatively few positions or even a single position.
- Credit Risk: The risk that principal and/or interest on a fixed-income investment will not be paid in a timely manner or in full due to changes in the financial condition of the issuer. Generally, the higher the perceived credit risk, the higher the rate of interest investors will receive on their investment.
- Interest Rate Risk: The risk that the value of an interest-bearing investment will change due to changes in the general level of interest rates in the market. The market value of a bond fluctuates inversely to the change in interest rates; that is, as interest rates rise, bond prices fall and vice versa. Interest rate risk is commonly measured by a bond's duration; the greater a bond's duration, the greater the impact on price if a change in interest rates occurs. Investors can incur a gain or loss from bonds sold prior to the final maturity date.
- Call Risk: The risk that a bond will be called by its issuer. A callable bond has a provision which allows the issuer to purchase the bond back from the bondholders at a predetermined price. Generally, issuers call bonds when prevailing rates are lower than the cost of the outstanding bond. Call provisions allow an issuer to retire high-rate bonds on a predefined call schedule.
- Prepayment Risk: Some types of bonds are subject to prepayment risk. Similar to call risk, prepayment risk is the risk that the issuer of a security will repay principal prior to the bond's maturity date, thereby changing the expected payment schedule of the bonds. Prepayment risk is particularly prevalent in the mortgage-backed bond market, where a drop in interest rates can trigger a refinancing wave. When investors in a bond comprised of the underlying pool of mortgages receives his or her principal back sooner than expected, they may be forced to reinvest at prevailing, lower rates.
- Liquidity Risk: The risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. Liquidity risk is heightened for certain securities, such as private investments and interval funds, which have limited liquidity. Because a significant portion of a client's portfolio may be

invested in assets with limited liquidity, such as interval funds and private funds, clients should carefully consider their liquidity needs and risk tolerance before entering into an agreement with MCM.

MCM recommends that certain qualifying clients invest a portion of their assets in private funds or other alternative investments. Such investments present special risks for MCM's clients, including, but not limited to limited liquidity, higher fees, volatile performance, heightened risk of loss, limited transparency, special tax considerations, subjective valuations and limited regulatory oversight. Thus, private investments may not be suitable for all MCM clients and will be only offered to those qualifying clients for whom an investment therein is believed to be suitable and in line with the client's overall investment strategy. Additionally, certain private funds are more illiquid than others, meaning that an investor's investment can be "locked up" for a defined period of time. The illiquidity of each private fund depends on a few factors, including, but not limited to, the type and liquidity of the private fund's underlying investments. It is important that each potential qualified investor fully read each offering or private placement memorandum prior to investing.

## **Item 9. Disciplinary Information**

MCM is required to disclose all material facts regarding any legal or disciplinary events in the past ten years that would be material to a client's or prospective client's evaluation of MCM or the integrity of its management. Neither MCM nor any of its employees has been involved in any legal or disciplinary events during the last ten years and thus has no information to disclose with respect to this Item 9.

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

### Limited Partnership Affiliation:

RBE Capital Partners Fund, LP was formed in August 2010 for the purpose of making a loan to a company that primarily purchased defaulted credit card debt and looked to settle that debt with consumers. The sole asset held by RBE is the loan to this company, and RBE is currently seeking repayment on the loan with the goal of returning the proceeds to its investors. RBE is not open to new investors.

Pursuant to RBE's Amended Limited Partnership Agreement, MCM replaced the original General Partner and became the successor General Partner of RBE effective as of August 31, 2021. MCM will direct the management and operation of the Fund and will have primary

responsibility for the Fund's investment decisions. MCM will not receive any management fees for its role as the General Partner of RBE. Several MCM employees are investors in RBE.

Advisory Board Positions:

Mr. Jeffrey Sarti, CEO, is on an Advisory Committee of Live + Learn Properties Funds I and II, and Live + Learn Urban Fund (private funds). It is a non-managing board created for the purpose of advising the Board of Managers. Mr. Sarti spends less than 5% of his time on this outside business activity and receives no compensation for this activity.

Morton Capital Management is on a non-voting and non-managing Advisory Board for the following private funds: KCB Growth & Income Fund I, KCB Private Equity Fund II, KCB Diversified Real Estate Fund, KCB Real Estate Funds V, VI, and VII, Pender Capital Asset Based Lending Fund I, FPA Whitehawk III Onshore Fund, Artes capital Fund I, Grubb Southeast Real Estate Fund VI, and the 2020 and 2021 Grubb Qualified Opportunity Funds.

The fact that MCM or one of its management persons is a member of the Advisory Board for several private funds that it recommends to its clients presents a potential conflict of interest. Specifically, a potential conflict exists in that MCM or one of its management persons may use its position on the Board of these private funds to influence the fund manager's decisions or otherwise make decisions as a member of the Board that might indirectly benefit MCM. MCM addresses this conflict by restricting its position on the Board to a non-voting and non-managing Advisory Board position. Additionally, as part of its fiduciary duty to clients, MCM is required to put the interests of its clients first. MCM believes that serving as a non-managing member of the Advisory Board of these funds serves to protect the best interests of its clients. MCM receives no compensation from any Advisory Board position of any private fund.

Referral Relationships:

MCM has relationships with several parties that solicit or have solicited clients on its behalf. Please see Item 14, "Client Referrals and Other Compensation," for additional details.

MCM has a relationship with Charles Schwab & Company, Inc., and Fidelity Brokerage Services, LLC. Please see Item 12, "Brokerage Practices," and Item 14, "Client Referrals and Other Compensation," in this Brochure for additional detail.

Legal and Estate Planning Activities:

MCM is an independent investment advisory firm and only provides services as described in this Disclosure Brochure. It is not engaged in any other business.

Neither MCM nor any of its Supervised Persons provide legal services to MCM clients within the scope of clients' engagement of MCM. However, one of its supervised persons (Brian Standing, Wealth Planner) maintains a separate legal practice (Via Law Firm LLP or "Via Law"). The services of MCM and Via Law are separate and distinct from one another and are each provided pursuant to a separate engagement and for separate fees, which are agreed upon prior to rendering any services.

MCM neither owns any interest in Via Law nor controls its operations in any way. Similarly, Via Law and its attorney(s) neither own any interest in MC nor control its operations in any way. Additionally, MCM and Via Law will not share any fees or revenue, and neither firm will be compensated for referrals to the other. However, clients of MCM will be referred to Via Law for estate planning and other legal services when MCM believes it to be appropriate, and Via Law clients may be referred to MCM when appropriate for investment advisory services. MCM does not believe this relationship poses a conflict for its clients.

Although MCM will recommend that clients use the services of Via Law when appropriate, clients are never obligated or required to use their services. There are other law firms that provide legal services similar to those provided by Via Law and may provide such services for less expensive rates. Whenever MCM recommends Via Law, clients are encouraged to consider other law firms too before making any decisions regarding their estate plan.

Insurance Sales Activities:

MCM is an independent investment advisory firm and only provides services as described in this Disclosure Brochure. It is not engaged in any other business. Neither MCM nor any of its Supervised Persons provide insurance services to MCM clients within the scope of clients' engagement of MCM. However, the spouse of one of its investment advisor representatives (Kevin Rex, Wealth Advisor) maintains a separate insurance sales business (Watermark Insurance Services or "Watermark").

Clients of MCM may be referred to Watermark for life insurance or other insurance needs when MCM believes it to be appropriate, and Watermark clients may be referred to MCM when appropriate for investment advisory services. MCM and Watermark do not share any fees or revenue, and neither firm will be compensated for referrals to the other. However, Watermark receives separate commission compensation resulting from implementing insurance product transactions on behalf of its clients.

Although MCM will recommend that clients use the services of Watermark when appropriate, no client shall be under any obligation to purchase any insurance products from Watermark. Clients are reminded that they remain free to purchase insurance products through other insurance agencies. There are other insurance sales firms that provide insurance products and

services similar to Watermark for less expensive rates.

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

In order to ensure that MCM maintains high ethical standards in its business practices, MCM has adopted and maintains a regulatory compliance manual that includes a Code of Ethics that sets forth the standards of conduct for acting with competence, dignity and integrity and in an ethical manner. A copy of the Code of Ethics is available to clients upon request by calling the telephone number on the cover page of this Brochure.

MCM's Code of Ethics requires, among other things, that employees:

- Act with integrity and competence with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets
- Place the integrity of the investment profession, and the interests of clients, above their own personal interests
- Avoid any actual or potential conflicts of interest
- Conduct all personal securities transactions in a manner consistent with company policy, applicable laws, and ethical standards
- Exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities
- Maintain reasonable safeguards to protect client privacy
- Comply with applicable provisions of federal securities laws

**Personal Trading:** Employees and their families sometimes buy and sell the same securities that MCM recommends and purchases for its clients. In fact, MCM believes that it is important that its principals and advisers invest their personal funds in the same securities that are recommended to clients.

However, MCM recognizes there is a potential conflict of interest if securities are purchased or sold in affiliated accounts on the same day as client accounts. Thus, to ensure that personal trading does not negatively impact clients, MCM has developed trading procedures and oversight for client protection. As MCM trades primarily mutual funds, the risk of conflict is mitigated as all trades on the same day will result in the same price for all accounts, avoiding any risk in trade price differences between client accounts and affiliated accounts.

MCM requires that employees submit quarterly reports with all of their personal securities transactions. Those records are reviewed to identify and resolve any conflicts of interest, to ensure compliance with applicable trading laws and to verify that MCM employees have put clients' interests ahead of their own.

For clients who choose to limit MCM's discretion, any potential delay in approvals can cause employee trades to be placed ahead of client trades and could result in MCM employees receiving a better price.

There are also times when MCM's Associated Persons buy and sell certain securities for their own accounts based on personal investment considerations, which MCM does not deem appropriate to buy or sell for clients.

MCM recognizes there is a potential conflict of interest when securities are purchased in any of the above scenarios. These scenarios present a potential conflict in that the MCM adviser might seek to benefit him- or herself from this type of trading activity in the same securities. MCM seeks to manage these conflicts of interest by requiring the submission of regular reports regarding personal securities transactions and prior approval of any private investment by an MCM-related person. Conduct by a related person that is contrary to the Code of Ethics will subject the related person to possible sanctions, including, in appropriate cases, termination of employment.

***MCM Invests Alongside Clients:*** MCM advisers often invest *Pari passu* (on the same terms) with its clients in alternative investments. This is an important part of MCM's business as some clients may choose not to invest if their advisers are not participating as well. In the event a limited offering is deemed suitable for clients, then certain MCM-related persons will typically personally invest alongside clients in such offering. MCM-related persons are not invested in all investments held by clients.

***Limited Capacity Offerings:*** Many of the private fund investments MCM recommends are generally considered "limited capacity" offerings due to a limited aggregate investment amount or total number of investors. MCM generally participates in two types of limited capacity offerings: those with a predetermined amount of capacity and those where the ultimate amount of capacity is unknown. In the latter situation, capacity is often an issue of timing as it is believed that investors will ultimately receive their full allocations, but it will just take some period of time for those funds to be fully deployed.

MCM advisers will be excluded from personally investing in private offerings where there is a predetermined amount of capacity and MCM client allocations meet or exceed that capacity. For limited capacity offerings where the ultimate amount of capacity is unknown, MCM advisers must wait to allocate to their personal accounts until such time as MCM clients

(deemed suitable for the investment) have received information about the investment and have been given a reasonable amount of time to make their commitments. Once MCM advisers are in the investor queue waiting for their investment to be called, MCM advisers will be limited to the greater of approximately 10% of any capital call or the minimum investment size.

All investments by MCM advisers in limited offerings must be pre-approved by the Compliance Department in order to ensure that sufficient capacity exists and that advisers are not investing in the limited offering without first ensuring that all appropriate clients may participate. In the event that the aggregate requested allocations for clients exceed the total capacity, MCM shall follow its allocation policies and procedures, which include a number of objective criteria (such as, but not limited to, timing, size, or account type) intended to avoid potential conflicts of interest, to determine the allocation. MCM's allocation policies and procedures are available upon request. In addition, the Compliance Department reviews limited capacity allocations to ensure that clients are treated fairly and objectively.

***Limited Offerings Not Suitable for Clients:*** MCM reviews new private investment opportunities on a regular basis. Private fund investments will only be recommended to qualified and appropriate clients once the due diligence process has been completed. If an investment is denied for inclusion on the MCM recommended investment list, MCM-related persons still have discretion to invest personally at their own risk. The Compliance Department reviews each limited offering exclusion in which an MCM-related person invests to ensure that clients are treated fairly and objectively.

***Investments Prior to Completion of Due Diligence:*** It is MCM's policy not to recommend that a client invest in any private fund until the due diligence process has been completed. MCM principals and advisers have discretion to invest their own personal funds in investments not recommended by MCM. Historically, principals of MCM have invested early in private offerings prior to the completion of due diligence and prior to the decision whether or not to recommend that private fund to clients. MCM believes that it can be advantageous to clients for MCM advisers to invest first as a "test case" to gain actual experience investing with the fund and potentially identify any administrative or investment red flags. MCM advisers will not invest early in private funds where it is known that there will be limited capacity. However, it is possible that capacity could fluctuate over time and an early investment by an MCM adviser would subsequently limit the capacity of MCM clients to invest once the investment is approved. The CCO reviews each limited offering investment in which an MCM-related person invests to ensure that clients are treated fairly and objectively.

***Private Funds Sponsored by MCM Clients:*** Certain MCM clients manage private investment funds that MCM deems to be suitable investments for other clients. The fact that some

private investment funds that MCM recommends to its clients are managed by certain MCM clients creates a potential conflict of interest that should be carefully considered prior to investment. Specifically, a potential conflict exists in that MCM may be inclined to favor the accounts of clients that manage private funds for MCM that are recommended to clients or otherwise treat them differently than other client accounts.

MCM has adopted certain procedures to mitigate the effects of these conflicts. First, funds managed by MCM clients must undergo MCM's standard due diligence process to determine whether they will be recommended to other MCM clients. Additionally, MCM's Compliance department periodically reviews the holdings and transactions in these clients' accounts to ensure that all eligible clients are treated equitably. Finally, the conflicts presented by this practice are disclosed to clients in writing through the delivery of this Disclosure Brochure. Neither MCM nor any of its related persons receive additional compensation from these or any other private investment funds for investing client funds in the private investments.

As part of MCM's fiduciary duty to its clients, MCM and its representatives endeavor to at all times put the interests of its clients first and treat all clients equitably. Recommendations to invest in these funds will only be made to the extent that MCM reasonably believes them to be in the best interest of the client.

## Item 12. Brokerage Practices

### **A. Selection Criteria:**

MCM recommends that clients establish brokerage accounts with either the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab") or the Fidelity Institutional Wealth Services division of Fidelity Brokerage Services, LLC ("Fidelity"), both of whom are registered broker-dealers and Members SIPC. For certain alternative investments, MCM will utilize Millennium Trust Company, LLC ("Millennium"), an independent custodian. MCM is independently owned and operated and not affiliated with Schwab, Fidelity, or any other broker-dealer.

In selecting Schwab, Fidelity, or Millennium as primary custodians for client accounts, MCM considered several factors, including, but not limited to:

- Quality of service
- Quality of execution
- Cost of execution and trading

- Availability of investment products
- Financial stability
- Quality of technical support

**General Information Regarding Recommended Custodians:**

For client accounts maintained at Schwab or Fidelity (“Custodians”), Custodians generally do not charge separately for custody but are compensated through commissions or other transaction-related fees for securities trades that are executed through or that settle into the custodial accounts. These commissions or fees are determined by the Custodians and are in addition to MCM’s investment advisory fees. However, the Custodians provide MCM with access to its institutional trading and custody services, which are typically not available to Schwab’s and Fidelity’s retail investors. These services are generally available to independent investment advisers on an unsolicited basis, at no charge to them. Schwab’s and Fidelity’s services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

**Schwab Custodian Arrangement:**

**Products and Services Available to MCM from Schwab**

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab’s business serving independent investment advisory firms. They provide MCM and the clients who custody assets at Schwab with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help MCM manage or administer Schwab clients’ accounts while others help us manage and grow our business. Schwab’s support services are generally available on an unsolicited basis and at no charge to MCM as long as MCM maintains a total of at least \$10 million of our clients’ assets in accounts at Schwab. Schwab’s support services include:

*Services that Benefit MCM’s Client:* Schwab’s brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some products to which MCM might not otherwise have access.

*Services that Do Not Directly Benefit MCM’s Client:* Schwab also makes available to MCM other products and services that benefit MCM but do not directly benefit our clients. These products and services assist MCM in managing and administering our clients’ accounts maintained at Schwab. They include investment research, both Schwab’s own and that of third

parties. MCM can utilize this research for the benefit of many clients' accounts, including accounts not maintained at Schwab.

In addition to investment research, Schwab also makes available software and other technology that:

- provides access to client account data (such as duplicate trade confirmations and account statements);
- facilitates trade execution and allocates aggregated trade orders for multiple client accounts;
- provides pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assists with back-office functions, recordkeeping, and client reporting.

*Services that Generally Benefit Only MCM:* Schwab also offers other services intended to help MCM manage and further develop its business enterprise. Schwab may make available or arrange for a third party to provide these services to us. These services include:

- educational conferences and events; and
- publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing.

The availability of these services from Schwab benefits MCM because we do not have to produce or purchase them. This gives MCM an incentive to recommend that a client maintain their account with Schwab based on MCM's interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a conflict of interest. MCM believes, however, that our selection of Schwab as a recommended custodian and broker benefits our clients as well. It is primarily supported by the scope, quality, and price of Schwab's services and not Schwab's services that benefit only MCM. MCM also periodically reviews the commissions charged and the services provided by Schwab and compares those with other broker-dealers to evaluate whether overall best qualitative execution could be achieved by using other custodians.

***Fidelity Custodian Arrangement:***

MCM has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides MCM with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to

support intermediaries like MCM in conducting business and in serving the best interests of their clients but that may benefit MCM. Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables MCM to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers.

As part of the arrangement, Fidelity also makes available to MCM, at no additional charge to MCM, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by MCM (within specified parameters). These research and brokerage services presently include services such as trading, custody, and reporting, and are used by MCM to manage accounts for which MCM has investment discretion. MCM may also receive additional services, which may include support services and coverage for certain expenses related to the transition of managed accounts to Fidelity from another custodian. Without this arrangement, MCM might be compelled to purchase the same or similar services at its own expense.

As a result of receiving such services for no additional cost, MCM may have an incentive to continue to use or expand the use of Fidelity's services. MCM examined this potential conflict of interest when it chose to enter into the relationship with Fidelity and has determined that the relationship is in the best interests of MCM's clients and satisfies its client obligations, including its duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where MCM determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although MCM will seek competitive rates, to the benefit of all clients, it may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by MCM will generally be used to service all of MCM's clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. MCM and Fidelity are not affiliates, and no parties affiliated with MCM are involved in the relationship between MCM and Fidelity.

**B. Soft Dollars:**

As described above, Schwab makes available to MCM other products and services that benefit MCM but do not always benefit all client accounts.

MCM currently has a soft dollar agreement with Schwab under which Schwab provides MCM with certain research services. Research and related services furnished by Schwab includes, but is not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications; financial database software and services; computerized news, and pricing and statistical services; along with software, data bases and other technical services and equipment utilized in the investment management process. Research received by MCM under such soft dollar arrangements can include both proprietary research (created or developed by Schwab) and research created or developed by a third party.

As discussed above, Schwab also makes available to MCM other services intended to help manage and further develop its business enterprise. While as a fiduciary, MCM endeavors to act in its clients' best interests, MCM's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to MCM of the availability of some of the foregoing products and services and not solely on the nature, cost, or quality of custody and brokerage services provided by Schwab, which creates a potential conflict of interest. MCM acknowledges its fiduciary responsibility to treat clients fairly.

Certain research services that are paid for with soft dollars are considered "mixed-use" products, meaning that they are partially allocable to research and partially allocable to non-research products. MCM performs and documents its analysis of the portion of mixed-use products that are deemed to be appropriate for the use of soft dollars. MCM then pays for the "mixed-use" product using a combination of soft and hard dollars in accordance with its documented allocation decision. A conflict of interest may arise in the process of determining the allocation for a mixed-use product. However, MCM makes an effort to arrive at an accurate allocation determination by using objective criteria.

MCM believes that all of its advisory clients benefit from the services received through soft dollars and that even though certain securities transactions may be cheaper on a few occasions through another custodian, the overall benefits of the research and brokerage services received through the Schwab relationship likely offsets any savings that would result from the use of a different custodian.

**C. Directed Brokerage:**

Clients may direct MCM to use a particular broker-dealer to execute some or all transactions

for their account (however, MCM has the right to decline to be engaged as the investment adviser based on this circumstance). In such an event, clients are responsible for negotiating the terms and arrangements for the account with the selected broker-dealer. MCM is not responsible for seeking best execution services or prices from other broker-dealers for those transactions. In addition, MCM will not be able to “batch” those transactions for execution through other broker-dealers with orders for other accounts managed by MCM. As a result, clients may pay higher commissions or otherwise have higher costs or receive less favorable net prices on transactions for the account than would otherwise be the case. In the event that clients are referred to MCM by a broker-dealer, MCM has a potential conflict between a client’s interest in obtaining best execution and MCM receiving future referrals from that broker-dealer.

**D. Trade Aggregation and Allocation:**

Transactions for each client will be effected independently, unless MCM decides to purchase or sell the same securities for several clients at approximately the same time. Because most trades placed on behalf of MCM clients are for mutual funds, aggregated (or block) trading is done infrequently. If the same security is purchased on the same day on behalf of more than one client, the orders may be aggregated (in a block) if MCM believes the aggregation will be in the best interests of the participating clients. Employee accounts that are purchasing or selling the same security can also be included in the aggregated order. MCM can (but is not obligated to) combine such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among MCM’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. When executing an aggregated trade, MCM completes an allocation in advance. The individual authorizing the trade will allocate the securities across accounts, considering account size, diversification, cash availability, and other factors where appropriate. Allocations are completed prior to the close of business on the trade date. If the entire order is filled, clients receive their portion of the allocation specified in the allocation plan. If part of the allocation is unfilled, the allocation is made in the best interest of all clients, taking into account all relevant factors, including, but not limited to, the size of each client’s allocation, trade costs, client’s liquidity needs, and previous allocations.

**E. Trade Errors:**

Where a trade error occurs in a client account due to MCM’s error, MCM will correct the trade at no cost to the client. MCM’s policy is that the client will be made whole.

## **F. Allocation of Investment Opportunities in Private Funds:**

As discussed above, MCM recommends investments in private funds to certain MCM clients. Generally, such investments are available only to a limited number of sophisticated investors. Additionally, private funds are considered “limited offerings” since they only accept a limited amount of funds for investment.

MCM advisers are responsible for determining whether an investment in a private fund is appropriate for any of their given clients. Advisers use a number of factors to determine the appropriateness of a particular private investment, including, but not limited to:

- Client’s eligibility to invest in alternative assets based on their status as accredited investors, qualified purchasers, and/or qualified clients, as required by the specific private investment;
- Client’s individual goals and risk tolerance;
- Minimum investment size as a percentage of the total portfolio;
- Client’s current allocation to a given type or sector of the alternative space (i.e., their existing allocations to real estate, private lending, etc.)
- Client’s existing exposure to a given manager or general partner;
- Client’s tolerance for illiquidity;
- Client’s willingness to invest in private, non-SEC registered investments; and/or
- Client’s need for cash flow from investments.

MCM advisers also invest in certain private funds that are recommended to clients. When this occurs, a conflict exists and to address this conflict MCM advisers are required to receive prior written approval by the CCO. For additional information, please refer to Item 11 herein.

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

MCM’s investment strategies, including its asset allocation models and securities approved for client accounts, are reviewed by the Investment Committee on an ongoing basis. MCM reviews client accounts at least annually within the context of each client’s stated investment objectives.

In addition to these periodic reviews, more frequent reviews may be triggered by several possible events, including changes in an account holder’s personal, tax or financial status. Clients are encouraged to notify MCM of any changes that may affect their risk tolerance, investment objectives or time horizon.

More frequent investment or asset allocation reviews may also be triggered by major changes at mutual funds or other assets on MCM's approved list, major economic/market conditions that cause MCM to review a particular asset class or fund and its continued viability for clients, or other events that may affect investments held in MCM client accounts.

All individuals performing account and investment reviews are investment advisers, associate advisors, or portfolio managers whose responsibilities include client services and/or portfolio review. They are instructed to review client accounts and investments in accordance with:

- The client's investment objectives, financial situation, prior experience, and risk profile
- The asset allocation strategy for the client
- MCM Investment Committee guidelines as to approved securities\*
- MCM Investment Committee discussions of general economic and market factors

MCM will provide clients access to a secure web portal where they can access performance reports and other data relating to their accounts. In addition, clients will typically receive monthly or quarterly statements from the custodian that holds the assets. Clients may elect to receive notifications electronically or via hard copy. The custodial reports contain a listing of current holdings with their current market value at the end of each month. MCM usually provides performance data both at the account level and at the asset class level. Performance reports provided by MCM via its client portal will also normally include various benchmarks that clients may use to assess account performance.

*\*Advisers have historically invested in securities not on the approved security list if the MCM investment adviser has conducted a sufficient review of the security and the investment is in alignment with the client's investment objectives, financial situation, prior experience, and risk profile.*

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

MCM has entered into agreements with several unaffiliated third parties to refer advisory clients to MCM, and MCM compensates these parties for referring clients. Such referral fees generally consist of a percentage of the advisory fees earned by MCM. The fees are paid by MCM and not by the referred client. They represent no additional expense to such referred clients. MCM generally does not charge clients referred by solicitor any fees or costs greater than the fees or costs MCM charges clients with similar portfolios who were not referred by solicitor. MCM will seek to conform to Rule 206(4)-3 under the Advisers Act in all instances.

If a client is introduced by an unaffiliated solicitor (i.e., a person or entity that is not an employee, officer or director of MCM), the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide the client with a copy of MCM's written Brochure, together with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between MCM and the solicitor, including the compensation to be received by the solicitor.

***Participation in Schwab Advisor Network:***

MCM has entered into an agreement with Schwab, an independent and unaffiliated broker-dealer, to participate in the Schwab Advisor Network ("SAN"), an adviser referral service designed to help investors find an independent personal investment manager in their area. MCM receives client referrals from Schwab through its participation in SAN. Although not required, advisers that receive referrals from SAN are likely to execute transactions for their advisory clients referred through SAN with Schwab. The conflict of interest arises due to the fact that MCM may be more likely to use Schwab due to its interest in receiving referrals from them. This would be in conflict with a client's interest in receiving best execution. Again, MCM acknowledges its duty of best execution for all of its clients.

Schwab does not supervise MCM and has no responsibility for management of clients' portfolios or other advice or services. MCM pays Schwab fees to receive client referrals through SAN.

MCM pays Schwab a quarterly participation fee on all referred clients' accounts that are maintained in custody at Schwab and a one-time non-Schwab custody fee (collectively "the Fees") on all accounts that are maintained at, or transferred to, another custodian. The Fees paid by MCM are a percentage of the value of the assets in the clients' accounts. MCM pays Schwab the participation fee for so long as the referred client's account remains in custody at Schwab. The participation fee is billed to MCM quarterly and may be increased, decreased, or waived by Schwab from time to time. The Fees are paid by MCM and not by the referred client. MCM does not charge clients referred through SAN fees or costs greater than the fees or costs MCM charges clients with similar portfolios who were not referred through SAN. The non-Schwab custody fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The non-Schwab custody fee is higher than the participation fees that MCM would generally pay in a single year. Thus, MCM will have an incentive to recommend that client accounts be held in custody at Schwab.

***Participation in Fidelity Wealth Advisor Solutions ®:***

MCM participates in the Fidelity Wealth Advisor Solutions® Program (the "WAS Program"), through which MCM receives referrals from Fidelity Personal and Workplace Advisors LLC

(FPWA), a registered investment adviser and Fidelity Investments company. MCM is independent and not affiliated with FPWA or any Fidelity Investments company. FPWA does not supervise or control MCM, and FPWA has no responsibility or oversight for MCM's provision of investment management or other advisory services.

Under the WAS Program, FPWA acts as a solicitor for MCM, and MCM pays referral fees to FPWA for each referral received based on MCM's assets under management attributable to each client referred by FPWA or members of each client's household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from FPWA to MCM does not constitute a recommendation or endorsement by FPWA of MCM's particular investment management services or strategies. More specifically, MCM pays the following amounts to FPWA for referrals: the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as "fixed income" assets by FPWA and (ii) an annual percentage of 0.25% of all other assets held in client accounts. In addition, MCM has agreed to pay FPWA a minimum annual fee amount in connection with its participation in the WAS Program. These referral fees are paid by MCM and not the client.

To receive referrals from the WAS Program, MCM must meet certain minimum participation criteria, but Advisor may have been selected for participation in the WAS Program as a result of its other business relationships with FPWA and its affiliates, including Fidelity Brokerage Services, LLC ("FBS"). As a result of its participation in the WAS Program, MCM may have a potential conflict of interest with respect to its decision to use certain affiliates of FPWA, including FBS, for execution, custody and clearing for certain client accounts, and MCM may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to MCM as part of the WAS Program. Under an agreement with FPWA, MCM has agreed that it will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover solicitation fees paid to FPWA as part of the WAS Program. Pursuant to these arrangements, MCM has agreed not to solicit clients to transfer their brokerage accounts from affiliates of FPWA or establish brokerage accounts at other custodians for referred clients other than when MCM's fiduciary duties would so require, and Advisor has agreed to pay FPWA a one-time fee equal to 0.75% of the assets in a client account that is transferred from FPWA's affiliates to another custodian; therefore, MCM may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of FPWA. However, participation in the WAS Program does not limit MCM's duty to select brokers on the basis of best execution.

## Item 15. Custody

Although MCM does not maintain direct custody of client assets, we act as the general partner of a private investment vehicle and therefore are deemed to have custody over those assets. Additionally, MCM is deemed to have custody of some client accounts pursuant to the SEC's Custody Rule 206(4)-2. MCM has custody when: (i) MCM has the ability to debit advisory fees directly from client accounts, (ii) its advisers are appointed as trustee on a client account (except as a result of a prior personal relationship), and (iii) its advisers possess check signing privileges.

If MCM is deemed to have custody over an account for the reasons described above, MCM will arrange for an independent public accountant to conduct a surprise annual examination of those accounts. MCM will also ensure that an unaffiliated representative of the client in question receives written notification of any change in the affected accounts' custodial arrangements.

Pursuant to recent SEC guidance, MCM is also deemed to have custody of client funds or securities when clients have standing letters of authorization with their custodian to move money from a client's account to a third-party ("SLOA"), and under that SLOA authorize MCM to designate the amount or timing of transfers with the custodian. The SEC has outlined a set of conditions intended to protect client assets in such situations without requiring a surprise annual examination by an independent public accountant. MCM intends to follow these conditions, and those accounts for which MCM has custody solely because of its use of SLOAs are not included in MCM's annual surprise exam. However, MCM acknowledges that it is deemed to have custody over these accounts in its response to Item 9A of its Form ADV Part 1 ("Custody").

Client assets are held in custody by broker-dealers (such as Schwab) or banks who are not affiliated with MCM. The custodian will send statements directly to clients with a list of the securities owned and the estimated market value. Custodians will also send trade confirmations of account activities such as buys and sells each time that activity takes place. For clarification, certain private investments are either not subject to custody or are exempt from certain custody requirements if the securities are uncertificated, held on the books of the issuer, and subject to an annual audit.

Clients should carefully review the statements received from the custodian and compare the custodian's statement with reports that are received from MCM or are available via MCM's client web portal. The custodian's statement may be different from MCM's if clients have invested in private funds, such as hedge funds or real estate. These assets may not appear on the custodian statements or may be reflected on the custodian's statement at a valuation

different from that reflected on MCM's reports. These differences are caused by factors such as customary pricing delays or variance in valuation methodologies. It should be noted that the custodial statement is the official record of a client's account and assets.

As part of the billing process, MCM will determine the quarterly advisory fee, make a statement available to the client showing how the fees were calculated, and submit a request to the custodian to debit client accounts in the amount shown on the billing statements. Clients should carefully review the billing statement as the custodian will not have sufficient information to verify that the fees are correct. If clients have any questions on fees, they should contact their MCM investment adviser or the Chief Compliance Officer at the number shown on the cover of this Brochure.

## **Item 16. Investment Discretion**

MCM manages most of its clients' investment accounts on a discretionary basis, however, in certain circumstances MCM will manage accounts on a non-discretionary basis. Clients may impose reasonable restrictions on their accounts, and/or limit discretionary authority. Discretionary authority authorizes MCM to purchase and sell mutual funds, stocks, bonds, structured notes, interval funds, private funds, and other assets without contacting the client. However, MCM exercises its discretion consistent with a client's investment objectives.

For the discretionary portion of accounts, clients will be required to sign a discretionary investment advisory agreement with MCM and may impose certain restrictions at that time. Clients may also be asked to open an account with Schwab or Fidelity, which will include signing a document authorizing, among other things, MCM to place trades on a client's behalf. MCM has negotiated a predetermined commission schedule with Schwab and Fidelity for all institutional accounts under its supervision.

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

MCM's policy is to vote by proxy on behalf of clients in the interest of maximizing shareholder value. Therefore, MCM will vote in a way that it believes is consistent with its fiduciary duty to clients. MCM will consider how a proxy vote might cause the security to increase or decrease in value and will consider both the short- and long-term implications of the proposal to be voted on when considering the optimal vote. Absent any concerns, MCM generally votes in accordance with Board recommendations unless a conflict of interest is present. Clients always have the right to direct how MCM votes on their behalf.

MCM has currently identified no conflicts of interest between clients' interests and its own within the proxy voting process. Nevertheless, if MCM determines that a material conflict of interest exists in voting a client proxy, MCM procedures provide for a management review to determine the appropriate vote or to engage a competent third party to determine a vote that will maximize shareholder value. MCM's complete proxy voting policy and procedures are available upon request. In addition, MCM's proxy voting record is available to clients and may be requested by calling the telephone number listed on the cover page of this Brochure.

## **Item 18. Financial Information**

MCM does not solicit prepayment of fees more than six months in advance.

MCM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.