

**Part 2A of Form ADV: Firm Brochure**

Item 1 Cover Page

**SCA ADVISORS**

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This brochure was prepared on November 16, 2010.

SCA Advisors is applying with the Securities and Exchange Commission for registration as a Registered Investment Advisor under the Investment Advisors Act of 1940.

This brochure has not been approved the Securities and Exchange Commissions.

Acceptance by the United States Securities and Exchange Commission of the application for registration as an investment advisor does not signify or imply any level of skill or training.

Item 2 Material Changes

The applicant has not previously filed a brochure; therefore, no material changes from our previous ADV filing occurred.

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## **DESCRIPTION OF OUR ADVISORY BUSINESS**

Securities Corporation of America Advisors (“SCAA”), performs a variety of services for our clients. At the present time, SCAA has no assets under management, but we anticipate that assets under management will significantly increase after our SEC registration becomes effective.

SCAA will primarily engage in financial planning for its clients. The financial planning may or may not be comprehensive; our clients may not need tax, estate, or risk management (insurance) considerations within their financial plans, but we do plan on having qualified persons to provide such advice. Our financial planning will be primarily directed to prudent saving and investment plans to eliminate client debt and put aside savings for retirement, college education, contingencies, and long-term lifestyle goals.

Clients that want SCAA to provide direct investment management services will be provided with a variety of investment products including mutual funds, equities securities (traded on exchanges or over the counter), fixed income products (including US government debt, agency issued debt, municipal debt, and corporate debt), brokered CD’s, and in some extremely limited circumstances, warrants.

Initially, clients will be provided a financial plan/savings plan with the stated goal as accumulating sufficient savings to reduce or eliminate their high interest consumer debt. During this phase of the plan, the clients’ assets will be placed in money market funds. Once the consumer debt is paid off, the client will be used to saving a portion of their income and those assets will be directed into more traditional investments for the advisory clients that follow their initial plan.

## **FEES AND COMPENSATION**

SCAA will be compensated by charging both fixed fees for its planning services and a percentage of assets under management.

Fees per client for financial plan preparation are expected to cover a range between \$50.00 through \$500.00, with the majority of the financial planning fees falling between \$100.00 through \$250.00. It may be possible that a comprehensive and complex plan will warrant a fee of more than \$500.00, but we expect that this will be unusual. In all cases, our clients will be informed of the exact cost prior to our delivery of the plan. The amount of the fee varies because no client has an identical financial situation to another client when they first come to us for investment advice. Fees for the financial plan are due at the time the plan is presented and will be directly invoiced to the client.

Clients choosing to implement their financial plans through us will be charged account management fees on a sliding scale, depending on the amount of assets placed with SCAA. The percentages related to assets managed are:

2.5% annually for accounts with less than \$50,000.00

2% annually for accounts with balances between \$50,001.00 and 100,000.00.

1.5% annually for accounts with balances between \$100,001.00 and \$500,000.00

1% annually for accounts larger than \$500,000.00

SCAA will negotiate with those clients that have significantly more than \$500,000 to place under management, but will not negotiate fees if the proposed account is less than \$1 Million. SCAA does not have a minimum balance requirement. Clients that choose to have their managed assets kept at brokerage firms we have relationships with, may elect to use an automatic payment arrangement to pay their account management fees.

We expect that most of the revenue earned by our advisory services will be from the flat fees we will charge for our financial plans.

SCAA is affiliated with a FINRA member broker-dealer that introduces clients to Southwest Securities, Inc. on a fully-disclosed basis. While it is not necessary for a client to have an account with our affiliated brokerage firm or Southwest, it is recommended that our advisory clients execute the advice we provide through the brokers we have relationships with.

This creates a potential conflict of interest between the advisor and the client. This conflict of interest exists because SCAA has an economic incentive to perform more trades, because the commissions will be received by an affiliated company or an individual that is both advisor and broker for the client account. To reduce the conflict of interest, SCAA will require customer permission prior to doing any trade in a customer account. Another potential conflict of interest is the administrative fees charged on the

brokerage accounts we recommend that clients establish during the initial stage of their financial plan. The brokerage firms we have relationships with may charge higher account fees than other brokers offering similar or identical services.

In the course of purchasing securities, clients will need to pay ticket charges, transaction fees, and commissions charged by the brokerage firms actually involved in buying or selling the securities. We are expecting that the charges for each equity or bond trade, including ticket charges, fees, and commissions will not exceed \$250 per trade and often be far less than that amount. Furthermore, the customer may be charged management fees by mutual fund managers, if mutual funds are acquired by the customer. SCAA will have arrangements to purchase advisor class shares, which will eliminate initial sales charges and reduce continuing commissions. Customers will still be charged management fees on the mutual funds by the mutual fund managers.

A detailed disclosure form, showing the exact fees charged by our recommended brokers, will be given to our clients, along with this brochure.

## **PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

SCAA does not plan on charging performance based fees. SCAA will not refer clients to other money managers or use the services of 3<sup>rd</sup> parties to provide advice to our clients.

## **TYPES OF CLIENTS**

SCAA provides advisory services mostly to individuals. A small number of these individuals would be considered “high net worth individuals”, but SCAA does not specifically market its services to high net worth individuals. It is also expected that SCAA will provide services to small businesses, such as sole proprietorships, partnerships, and small corporations. Again, SCAA will not specifically market to business clients, but it is expected that some of our individual clients will be small business owners that may want advisory services for their businesses.

SCAA is geared to clients that initially may be in financial trouble or otherwise not have a large amount of investment ready assets. SCAA does not require a minimum net worth or investment to begin an advisory relationship with us.



## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

SCAA will primarily use fundamental analysis in its evaluation of investments we will advise our clients to purchase. Since we are focused on long-term investing for retirement, college education for a client's child, or other long term lifestyle goal, a buy and hold strategy of quality investments fits our company better than analyzing cyclical patterns, technical levels, or speculative opportunities of potential investments.

We are focused on value investing; the purchase of quality investments when the price of the investment is at or below what the investment's underlying fundamentals would normally indicate. The purchase of individual investments will not be our normal strategy. We may use internet based stock and bond screening tools to locate individual investments that present a value opportunity, but for the most part, our recommended investments will be mutual funds. We will normally select mutual funds that fit our clients' needs based on their goals and financial situation, once the client is in a position to invest.

When evaluating mutual funds, long term performance will be given more weight than short term high returns. Morningstar ratings and expense ratios will play an important part in any analysis of mutual funds considered for recommendation to our clients.

Our investment strategy will emphasize long-term total return. We will seek investments that can consistently grow, pay dividends or interest at or above prevailing market rates, and not expose our clients to excessive risk. SCAA will not do high-frequency trading in our clients' accounts. The cost of such activity, together with the low probability of the returns of such strategy justifying the costs of high frequency trading, do not fit in with our overall investment strategy and the needs of our clients.

Clients are reminded that all investments carry some risk of loss. SCAA will carefully consider the potential for loss of principal prior to recommending any investment, but even the most prudent mutual fund managers will have price fluctuations and perhaps even long term reductions of shares prices of the funds they manage. A client may need for cash when an investment is priced lower than the price the client paid for it. SCAA will not have any control over market and economic conditions that will reduce the prices for which investments can be redeemed. SCAA will attempt to reduce the client's potential for loss, but cannot complete eliminate the possibility.

## **DISCIPLINARY INFORMATION**

There are no individuals associated with SCAA that have reportable disciplinary events.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

SCAA plans to share common ownership with Securities Corporation of America (“SCA”). The owners of SCAA are currently seeking FINRA approval for a change of ownership of the brokerage firm. Once that process is completed, SCA will be a broker-dealer affiliated with SCAA by common ownership and we will recommend to our clients that they use SCA to implement the strategy we develop for our advisory clients.

SCAA also shares common ownership with DebtXS, a consumer debt settlement company. DebtXS’ primary business is helping consumers reduce and then pay off outstanding consumer debt. It is possible that DebtXS will produce leads for SCAA and assist clients with some aspects of the financial plan we prepare for them.

The two equity owners of SCAA control a private fund known as Dextral Capital Management. Dextral Capital Management has invested in DebtXS and will invest in SCA (once FINRA approves the change of ownership), but will have no direct or indirect ownership of SCAA.

## **CODE OF ETHICS, PARTICIPATION IN CLIENTS TRANSACTIONS AND PERSONAL TRADING**

SCAA has prepared a firm wide Code of Ethics for our investment professionals; the Code emphasizes the obligations of our firm and its employees to act in the best interests of our clients in providing investment advice. The Code of Ethics also specifies conduct prohibited by SCAA. Violations of the Code are cause for disciplinary action by SCAA. The Code also requires that the CCO vigorously enforce the Code. A full and complete copy of the Code of Ethics will be provided to our clients and to prospective clients on their request.

SCAA will not normally participate in client transactions. The investments that we recommend will normally be:

- mutual funds operated by unrelated fund managers;
- widely traded equities or bonds;
- money market funds; or
- other broadly traded investments in which SCAA or its affiliates have no financial interest .

There may be rare circumstances in which a cross agency trade happens (this is where one customer buys or sells a security that another customer owns or is acquiring); any cross agency trades will be executed by the clearing firm and take place at prevailing market prices. SCAA will be limited in any potential cross agency trading involving customer securities. Recommending that a client invest in an entity that an SCAA employee has a material (more than 1%) interest will be absolutely prohibited.

SCAA employee trading will be monitored and recorded. Our Code of Ethics prohibits trading ahead of a customer order or using any other scheme to obtain a better price on securities than the price a customer would pay when we have a customer ratification of an order in hand.

## **BROKERAGE PRACTICES**

SCAA is affiliated with a broker that introduces accounts to Southwest Securities on a fully disclosed basis. We will recommend to our clients that they implement their financial plans and our other investment advice through our affiliated broker. The clients will benefit from this arrangement due to:

- Easier monitoring of their investment portfolio and performance by their Advisor;
- Timely implementation of investment changes recommended by their Advisor,
- Convenient billing to the client for Advisory services; and
- Familiarity by their Advisor with the order processing and cash handling procedures of the clearing broker (which will promote better customer service).

Using SCAA's recommended broker will make things more convenient for our client.

The primary drawback to the client (if they elect to use our recommended broker) is that the Advisor assigned to their account may also be a registered representative of the broker. This could induce the broker to trade more frequently in the client's account, which will have economic benefit to the advisor/representative assigned to the client, but increase the client's costs and reduce potential investment returns. This conflict of interest will be minimized by account reviews done by SCAA management and the requirement that Advisors which are also the brokerage representatives adhere to SCAA's investment model of long-term buy and hold investment strategy. SCAA will have little tolerance for trading activity recommended to the client which does not have a clear economic benefit for the client.

The client should consider that even if the client's account advisor is not getting paid for trades done through the affiliated broker, the brokerage activity will benefit the owners of SCAA, due to the common ownership.

Should an SCAA client elect to keep their accounts at another broker, the client will take responsibility for implementing their advisor's recommendations by placing the orders with the brokerage firm of their choice. The client will also receive an actual invoice, which will require the client to promptly pay SCAA for advisory services rendered.

## **REVIEW OF ACCOUNTS**

SCAA will make use of exception reports provided by the custodial firm in selecting accounts to review. Spot checks will be done on accounts showing high trading activity (unless it is new client account), high commissions or other account charges, and accounts that have showed unusual trading patterns or purchases that are contrary to our normal investment policies. Generally, any account that makes investments in a security other than a mutual fund will get reviewed.

Charges (including advisor fees) will be spot checked quarterly. A random sample of accounts will be checked monthly, quarterly, and annually. One goal of our compliance program will be to review each customer account at least once a year.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

At this time, we have no plans to pay other RIA firms or 3<sup>rd</sup> parties for client referrals. We do not anticipate receiving, nor will we seek compensation from mutual fund issuers for directing client assets to their funds.

We may receive some soft dollar compensation from our custodial broker after we become active as an investment advisor. “Soft Dollars” are services or price breaks that SCCA would get from brokers for keeping our accounts with them or trading through their firm. The soft dollars can take the form of reduced ticket charges, which may or may be advantageous to our customers (depending on how we price their trading charges) or being given research, software, or equipment that we would normally pay for; these goods and services may not provide any direct or indirect benefit to our customers.

If we do receive soft dollars, the impact to the customer may be subtle. The main problem with this arrangement is the potential for soft dollars to influence our choice in brokerage firms and the firm that we use not being the best value for order execution, service, or soundness when compared to other brokerage firms. We will disclose to our customers any services or goods given to us by any 3<sup>rd</sup> party; this includes soft dollar arrangements.

## **CUSTODY**

SCAA will not take custody of our clients' assets in whatever form those assets are in. All client assets under management will be held at Southwest Securities, if the client accepts our recommendation to use our affiliated broker. If the client does not accept SCA's recommendation for a broker, the client will be advised to select their own custodial broker to place their account with. The client will also be told that in this case, they will have the responsibility for executing our investment strategy; in other words the client will need to place buy or sell orders with their own broker to receive the full benefit of our investment advice.

Any requests for fund withdrawals must be directed to the broker holding the client's funds.

SCAA will not bill clients more than 6 months in advance.



## **INVESTMENT DISCRETION**

SCAA does not plan to manage client accounts on a discretionary basis. SCAA will develop an investment plan for our clients; choose investments that we believe will achieve that plan, present those investments to the client, and then get client approval prior to making the investments. Should any changes be need in the client investment portfolio, the proposed changes will be discussed with the client and we will proceed only with client approval.

## **VOTING CLIENT SECURITIES**

Client equity securities will be held at our clearing firm. Our clients will have a brokerage account at Southwest Securities, Inc. or other institution that will forward proxies to clients or vote proxies in accordance with rules covering voting of proxies. SCAA will not provide any advice or inducement to clients on any proxy vote.

## **FINANCIAL INFORMATION**

As SCAA does not bill its clients more than 6 months in advance, take custody of our clients' funds, hold investments for our clients, or accept trading authority over our client's assets, so current SEC rules do not require disclosure of SCAA's financial information to our clients.

The SEC does requires us to have sufficient assets to meet our obligations, and SCAA complies with this requirement at this time. We are further required to tell our customers or prospective customers if we become aware of a financial situation, such as a lawsuit that could have a profound impact on our financial condition. We are not aware of any such situations at this time.

## **REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

SCAA will not be registered with any state, except as a notice filer. SCAA will be registered with the United States Securities and Exchange Commission ("SEC"). Registration with the SEC does not imply endorsement or recommendation by the Federal Government, nor does it imply special training, education, or background for SCAA's owners or employees.