

**Firm Brochure**  
(Part 2A of Form ADV)

**Schuylkill Capital Management, LLC**

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This brochure provides information about the qualifications and business practices of Schuylkill Capital Management, LLC (“SCM” or “firm” or “we”). If you have any questions about the contents of this brochure, please contact us at 215-735-0299 or [howard@schuylkillcap.com](mailto:howard@schuylkillcap.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about SCM is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for SCM is 106930.

Registration with state regulatory authorities does not imply any level of skill or training.

June 20, 2012

## **Item 2. Material Changes**

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This Firm Brochure, dated 06/20/2012, provides you with a summary of SCM's advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform of the revision(s) based on the nature of the information as follows.

1. **Annual Update:** We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item.
2. **Material Changes:** Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

The following summarizes new or revised disclosures based on information previously provided in our Firm Brochure dated 03/02/2012:

1. The SEC adopted new rules and rule amendments under the Investment Advisers Act of 1940 to implement provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. As a result, SCM is no longer eligible for SEC registration. We are in the process of switching from federal to state oversight, and the transition must be complete by June 28, 2012. Once the transition is complete, SCM's investment advisory business will be regulated by the Commonwealth of Pennsylvania Securities Commission.

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## **Item 4. Advisory Business**

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### **Firm Description**

SCM was founded in 1990. SCM provides investment advisory services to a select group of individuals, pension and profit sharing plans, trusts, estates and charitable organizations. Advice is provided through consultations with the client and may include determination of investment objectives; identification of financial problems; tax planning; insurance review; education funding; and estate planning. However, SCM's primary charge is to provide a conservative approach to the investment and management of its valued clients' assets.

SCM provides investment advisory services on a fee-only basis. SCM does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products and is not affiliated with entities that sell financial products or securities. No commissions in any form or manner are accepted when the Firm is functioning as an investment advisor.

Investment advice is an integral and fundamental part of the services SCM provides to its clients. Except in account relationships where a client gives SCM the authority to trade on his or her behalf, investment advice is provided with the client making the final decision on investment selection. SCM does not act as a custodian of client assets. The client always maintains asset control. SCM places trades for clients under a limited power of attorney.

A written evaluation of each client's situation is provided to the client, often in the form of a short-term and long-term Goals and Objectives Statement. Periodic reviews are also communicated to provide reminders of specific courses of action that need to be taken. More frequent reviews occur as market developments warrant and affect short-term and long-term investment considerations but are not necessarily communicated to the client unless immediate changes are recommended.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur. The initial meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which investment advisory services may be beneficial to the client.

### **Principal Owners**

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company):

- Howard A. Trauger, Member/President/Treasurer/Chief Compliance Officer
- Shirley A. Trauger, Member
- James Lewis Family Investment Limited Partnership

In addition, the following identifies the individual that indirectly owns 25% or more of SCM:

- James W. Lewis, Trustee of James Lewis Family Investment Limited Partnership

## **Types of Advisory Services**

SCM provides investment supervisory services, also known as asset management services. SCM manages investment advisory accounts not involving supervisory services and furnishes investment advice through consultations. By making use of standard research information on the economy, stock and bond markets and individual company reports, SCM evaluates client holdings and makes recommendations to clients. On more than an occasional basis, SCM furnishes advice to clients not involving securities, such as trust services and general financial planning.

## **Tailored Relationships**

The goals and investment objectives for each client are documented in that client's Investment Advisory Agreement and Goals & Objectives Outline. Investment policy statements are created that reflect the stated short-term and long-term goals and objectives of clients. Clients may impose restrictions on investing in certain securities or types of securities.

Investment Advisory Agreements may not be assigned without client consent.

## **Wrap Fee Programs**

SCM does not participate in wrap fee programs.

## **Assets Under Management**

As of December 31, 2011, SCM actively managed approximately \$45,342,872 in assets for approximately 60 client relationships. Approximately \$14,745,875 was managed on a discretionary basis and \$30,596,997 was managed on a non-discretionary basis.

## **Types of Agreements**

The following agreements define the typical client relationships.

### ***Investment Advisory Agreement – Non-Discretionary***

Most clients choose to have SCM manage their assets in order to obtain ongoing advice and life style change planning. All pertinent aspects of the client's financial affairs are reviewed and discussed with the appropriate parties in interest. Reasonable and realistic goals are defined with the intent to obtain measurable results in keeping with each

client's understanding of the risk associated with investment in securities. Over time, goals and objectives are changed to reflect life style changes that occur. Suggestions and recommendations are provided to each client and these recommendations are promptly implemented to ensure the investment management process follows the program.

The scope of work and fee for investment advisory services is incorporated in an Investment Advisory Agreement and provided to the client in writing prior to the start of the relationship. An Investment Advisory Agreement may include insurance review, general financial planning, retirement planning, and estate planning, as well as the implementation of recommendations within each area.

The standard annual Investment Advisory Agreement fee for initial asset management is based on a percentage of the investable assets according to the following schedule:

- 1.00% on the first \$1,000,000;
- 0.80% on the next \$1,500,000 (from \$1,000,001 to \$2,500,000); and
- 0.60% on the assets above \$2,500,000.

The minimum annual fee is \$600. Subject to a review and discussion, the annual fee is negotiable. Current client relationships may exist where the fees are higher or lower than the fee schedule above.

Although the Investment Advisory Agreement is an ongoing agreement and constant adjustments are required, the length of service to the client is at the client's discretion. The client and the investment manager may terminate the Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the time period completed. The portfolio value at the completion of the prior full billing period is used as the basis for fee computation, adjusted for the number of days during the billing period prior to termination. Tax preparation work is not included in the services SCM provides to its clients.

### ***Retainer Agreement***

In some circumstances, a Retainer Agreement is executed in lieu of an Investment Advisory Agreement when it is more appropriate to work on a fixed-fee hourly basis. The fee for an assignment that would be governed by a Retainer Agreement is negotiable.

### ***Investment Advisory Agreement - Discretionary***

An Investment Advisory Agreement – Discretionary may be executed when advisory services are provided to a pension or profit sharing plan, or to an individual as agreed upon.

The standard annual Investment Advisory Agreement – Discretionary fee for initial asset management is based on a percentage of the investable assets according to the following schedule:

- 1.00% on the first \$1,000,000;
- 0.80% on the next \$1,500,000 (from \$1,000,001 to \$2,500,000); and
- 0.60% on the assets above \$2,500,000.

The minimum annual fee is \$600. Subject to a review and discussion, the annual fee is negotiable. Current client relationships may exist where the fees are higher or lower than the fee schedule above.

### ***Hourly Research and Analysis Engagements***

SCM provides portfolio research and analysis services for clients who need advice on a limited scope of work. The hourly rate for limited scope engagements is \$150-\$200.

### **Asset Management**

SCM enjoys managing balanced accounts for clients whose underlying emphasis is fixed income oriented and who believe that bonds offer stability and dependability of income. The style that best defines SCM's emphasis, its primary investment style, is large-cap value. SCM invests in companies it believes to be financially strong and industry or niche leaders or that otherwise possess secure product or service franchises in attractive areas of the economy. To find value among such companies, SCM's primary valuation tool is discounted future cash flow calculated for a universe of some 800 high investment grade companies. Beyond this, SCM employs return on investment to confirm company stature among its peers and price-to-book to confirm value.

Because SCM's approach to equity investment selection is driven by fundamental analysis of individual companies, in large measure, SCM identifies attractive securities in the strongest industry sectors. History has demonstrated the folly of paying for earnings that are inconsistent or unsustainable. Hence, SCM's investment process does not overlook historic averages and economic forecasts.

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

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### **Description**

SCM bases its annual fees on a percentage of assets under management. Some account and/or portfolio analysis and research may be based on an hourly scale, the complexity of the work involved, and the client relationship. As previously mentioned, some Retainer Agreements and Hourly Research and Analysis Engagements may be priced on the complexity of the work involved, especially when asset management is not the most significant part of the relationship. All fees are negotiable.

For more information regarding fees and fee schedules, see "Types of Agreements" above.



## **Fee Billing**

Depending on the amount of assets under management, investment advisory fees are billed quarterly or monthly. Accounts with assets above \$1,000,000 are generally billed on a monthly basis and those accounts whose assets are below \$1,000,000 are billed quarterly.

All account billings are in arrears, meaning that SCM invoices clients after the applicable billing period has ended. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of his or her account. No client fees are paid in advance.

***Direct Debiting of Advisory Fees:*** Fees will be debited from the account in accordance with the client authorization in the Investment Advisory Agreement. We adhere to the following safeguarding procedures:

- (i) SCM possesses written authorization from the client to deduct advisory fees from an account held by a qualified custodian;
- (ii) SCM sends the qualified custodian written notice of the amount of the fee to be deducted from the client's account;
- (iii) SCM sends the client a written invoice itemizing the fee, including any formulae used to calculate the fee, the time period covered by the fee and the amount of assets under management on which the fee was based.

## **Other Fees and Expenses**

Some custodians charge transaction fees on purchases or sales of certain mutual funds and exchange, or for safekeeping and reporting on assets. Transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee the custodian charges to buy or sell the security. For more information on custodians, see "Brokerage Practices" below.

If SCM's clients invest in mutual funds, clients will pay a management fee as well as other general administrative charges to the mutual fund. Those fees are in addition to the fees paid by a client to SCM.

SCM, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based on certain criteria (e.g., historical relationship, type of assets, tax cost of legacy holdings, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

## **Past Due Accounts and Termination of Agreement**

SCM reserves the right to stop work on any account that is more than 60 days overdue. In addition, SCM reserves the right to terminate any account where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in SCM's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 30 days.

## **Compensation for Sale of Securities or Other Investment Products**

SCM does not accept compensation for the sale of securities or other investment products.

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

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### **Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities in providing investment management advisory services.

SCM does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the advisor to recommend an investment that may carry a higher degree of risk to the client.

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

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### **Description**

SCM generally provides investment advisory services to individuals, pension and profit sharing plans, trusts, estates, or charitable organizations, corporation or other business entities. Client relationships vary in scope and length of service.

### **Account Minimums**

The minimum account size is \$60,000 of assets under management, which equates to an annual fee of \$600. If an account falls below \$60,000 in value, the minimum annual fee of \$600 may be charged. Depending on circumstances, SCM will sign an Hourly Research and Analysis Agreement with the client if assets have diminished significantly below \$60,000.

SCM has the discretion to waive the account minimum. Accounts of less than \$60,000 may be set up when the client and advisor anticipate the client will add additional funds

to the account relationship to bring the total to \$60,000 within a reasonable time. Other exceptions apply to employees of SCM and their relatives, or relatives of existing clients.

Clients receiving ongoing asset management services will be assessed a \$600 minimum annual fee. Clients with assets below the minimum account size may pay a higher percentage rate on their annual fees than the fees paid by clients with greater assets under management.

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

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### **Methods of Analysis**

Security analysis methods include fundamental analysis, cyclical analysis, and technical analysis.

The main sources of information include financial newspapers and magazines; inspections of corporate activities; research materials prepared by others; discussions with research analysis considered by SCM to be knowledgeable; corporate rating services; annual reports; prospectuses; filings with the Securities and Exchange Commission; and company press releases.

Other sources of information that SCM may use include Morningstar Principia Stock Research, Bloomberg, Brokerage Research services and the World Wide Web.

### **Investment Strategies**

SCM is a traditional bottom-up stock-picking manager. The investment process begins with a screen of high investment quality, predominantly large cap, equities to identify stocks trading at reasonable valuations. SCM invests in companies it believes to be financially strong and that are either industry or niche leaders or that otherwise possess secure product or service franchises in attractive areas of the economy. To find value among such companies, SCM's primary valuation tool is discounted cash flow calculated for a universe of some 800 high investment grade companies. Beyond this, SCM employs return on investment to confirm company stature among its peers and price to book to confirm value.

To manage portfolio risk, initial individual positions range from 2% to 5% of the total value of the initial equity position of the portfolio. Holdings are continuously examined to assure that relative and absolute valuations remain satisfactory to SCM's investment committee standards. Sector allocation is in large part determined by where value is defined by price because SCM's approach to equity investment selection is driven by analysis of individual companies. SCM believes that the price of a security is reflected in its ability to sustain its earnings and investor's decisions ultimately acknowledge prospects for future valuations. However, history has demonstrated the folly of paying for earnings that are inconsistent or unsustainable. For this reason, SCM's investment

process incorporates historic averages and economic forecasts in making sector commitments. Percentage allocations to industry sectors are carefully monitored to maintain an investment list representation that is consistent with long-term trends for the S&P 500 and Russell 1000 Indices. Regardless of SCM's management of portfolio risk, clients should be aware that any investment in securities involves the risk of loss that clients should be prepared to bear.

As a value manager, SCM benchmarks its performance to that of the S&P 500® Index and Russell 1000® Value Index. The objective is to keep overall portfolio returns between the returns of these two indices over the long-term with lower volatility. This objective reflects SCM's belief that from time to time both the Russell 1000 and S&P 500 indices are distorted by runaway performance in one sector or another. SCM avoids these excesses, in particular, by leaning toward the S&P 500 sector weights when SCM believes that the Russell 1000 weights are historically excessive. The result is an SCM investment list broadly diversified by industry sector.

## **Risk of Loss**

All investment programs have certain risks that are borne by the investor. SCM's investment approach keeps risk of loss of principal as its first and primary objective and SCM continually strives to reduce risk in keeping with its clients' short-term and long-term goals. Generally, investors face the following investment risks:

- *Interest Rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on previously-issued fixed income securities (such as bonds, notes, certificates of deposit, and preferred stock) become less attractive to other like investments. As a result, fixed income securities decline in value.
- *Market Risk:* The price of a security, common stock, preferred stock, bond, note or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, geo-political, economic and social conditions and disasters may trigger market events.
- *Inflation Risk:* When any type of inflation is present, a dollar today will not buy as much as a dollar next year because purchasing power is diminished by the rate of inflation.
- *Currency Risk:* Overseas 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.
- *Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate or discount rate). This primarily relates to fixed income securities.

- *Business Risk:* These risks are associated with a particular industry or a particular company within an industry. For example, drug manufacturing companies depend on basic and specific pharmaceutical research to discover new applications for medical diagnoses. Long periods of testing for efficacy and safety are generally required before any new drug can gain approval from the FDA for public use. This is a long and costly process, the result of which may or may not gain approval for the drug and its ability to recoup the capital necessary to continue to generate revenues. Securities of drug companies, in general, carry a higher risk of profitability than a water company, which generates income for a steady stream of customers in any economic cycle.
- *Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in trading a uniform product. For example, treasury bills are highly liquid. The Brooklyn Bridge is not.
- *Financial Risk:* Excessive borrowing to finance a business' operations increases the risk of profitability because the company must meet the terms of its obligations (pay its interest on debt) in good times and bad. During periods of financial stress or geo-political unrest, a company's inability to meet loan obligations may reduce the market value of its securities or lead to bankruptcy.

## **Item 9. Disciplinary Information**

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### **Legal and Disciplinary**

Neither SCM nor any of its principal owners or management persons has any outstanding disciplinary violations or material legal or disciplinary events in the last 10 years.

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

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### **Financial Industry Activities**

SCM does not engage in other financial industry related activities, outside of those activities previously described that relate directly to providing investment advisory services to clients.

### ***Broker-Dealer Registration***

Neither SCM nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

### ***Futures Commodities Registrations***

Neither SCM nor any of its management persons is registered, or has an application pending to register, as a futures commission merchant, a commodity pool operator, a commodity trading advisor, or an association person of the foregoing entities.

### **Affiliations, Material Relationships or Arrangements**

SCM may from time-to-time enter into arrangements that are material to its advisory or its clients. These arrangements are fully disclosed to SCM's clients prior to the engagement. An example of such an arrangement would be with another advisory firm, marketing consultant or pension consultant where SCM's services are unique and requested by the client. These arrangements, where applicable, are documented in the form of a Solicitation Agreement with the related person who as mentioned could be another investment advisor, a financial planning firm, an accounting firm, a law firm or a pension consultant. SCM does not, directly or indirectly, accept compensation from these arrangements. SCM does not believe any of these relationships creates a material conflict of interest with clients.

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

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### **Code of Ethics**

SCM is committed to conducting its business in an ethical manner. Clients and prospective clients may contact SCM for more information on its ethics policies.

### **Related Party Investments**

SCM does not recommend to clients securities in which SCM, its principals or related persons have a material financial interest.

### **Participation or Interest in Client Transactions**

SCM and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades for a period of 10 days prior thereto.

### **Personal Trading**

The Chief Compliance Officer of SCM is Mr. Howard A. Trauger. Mr. Trauger reviews all employee trades each quarter. His trades are reviewed by Gene Kovacs, the Office Administrator. These personal trading reviews ensure that the personal trading of employees does not affect the markets and that clients of the firm receive preferential treatment over that of the employees. Since most employee trades are either small

mutual fund trades, small common stock trades, or exchange-traded fund trades, the trades do not affect the securities markets.

## **Item 12. Brokerage Practices**

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### **Selecting Brokerage Firms**

SCM does not have any business affiliations with specific brokerage firms. Custodian recommendations are made to clients based on their need for such services. SCM recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

When appropriate, SCM recommends discount brokerage firms and trust companies (qualified custodians), such as Fidelity Investments, TD Ameritrade, and the Vanguard Group.

### **Best Execution**

By selecting only top-tier custodians and brokerage firms who are scrutinized by government agencies, SCM can rely on the best execution practices utilized by each of the custodians. SCM does not receive any portion of the trading fees that may be charged to a client by a particular custodian.

### **Research and Other Soft Dollar Benefits**

SCM receives no soft dollar credits from any of the custodians that are recommended to clients. Soft dollar credits, or the provision of valued services for free (such as securities research, subscriptions, etc.) by a larger investment or custodial firm, have been determined to be influential and possibly not in the best interests of clients.

### **Brokerage for Client Referrals**

SCM does not consider, when selecting or recommending broker-dealers, whether SCM or a related person receives client referrals from such broker-dealer or third parties.

### **Directed Brokerage**

SCM does not routinely recommend, request or require that clients direct it to execute transactions through a specified broker-dealer.

### **Order Aggregation**

From time to time, where appropriate either to buy or sell securities, SCM will aggregate trading orders. By combining several orders into one trade and allocating the final disposition over many accounts, SCM increases its opportunity to gain volume discounts and best execution favor.

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

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### **Periodic Reviews**

Account reviews are performed at least annually by Howard A. Trauger, President of SCM, and more frequently as market conditions warrant. An account review consists of an analysis of current portfolio positions and valuations relative to a client's agreed upon short-term and long-term goals and objectives. In essence, during each review, SCM articulates its past recommendations, observes the current results of those recommendations and suggests appropriate changes to preserve principal valuations and to improve prospects for meeting the client's short-term and long-term goals.

### **Review Triggers**

Conditions that may trigger a review are changes in the tax law, new investment information, and changes in a client's own condition that may lead to a client request for review.

### **Regular Reports**

In most cases, SCM arranges for the custodian to provide written monthly investment summaries of client statements directly to the client with a duplicate to SCM. In cases where the custodian only provides quarterly statements, SCM generates its own month-end statements. SCM considers the client's current security positions and the likelihood that the performance of each security will contribute to the income or appreciation objectives of the client.

Clients receive periodic communications on at least an annual basis. Formal reviews are provided in writing, in person, or by phone or email with available statements on a quarterly basis. During these reviews, tax status changes, personal lifestyle changes, and other pertinent considerations are discussed to determine the effectiveness of any given investment program in meeting the short-term and long-term objectives of the client relationship.

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

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### **Incoming Referrals**

Referrals come from current clients, attorneys, accountants, employees, personal friends of employees, and other individuals and businesses. SCM does not compensate referring parties for these referrals.



## **Referrals Out**

SCM does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

## **Other Compensation**

SCM accepts no other forms of compensation, except those described in “Fees and Compensation” above.

## **Item 15. Custody**

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### **Account Statements**

All assets are held at qualified custodians (such as PNC Bank, E-Trade, the Vanguard Group, and Morgan Stanley), which means the custodians provide account statements directly to clients at their address at least quarterly.

### **Performance Reports**

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by SCM.

## **Item 16. Investment Discretion**

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### **Non-Discretionary Authority for Trading**

Most client relationships are governed by a non-discretionary agreement, in that the client does not grant SCM the authority to manage securities accounts on their behalf. In non-discretionary accounts, trading in a client account may only proceed after specific client consent to the securities bought or sold, the amount of the securities to be bought or sold, and the approximate date when the securities should be bought or sold. SCM consults with the client prior to a specific planned trade to obtain concurrence on a series of buys and sells.

The client approves the custodian to be used and the commission rates paid to the custodian. SCM does not receive any portion of the transactions fees or commissions paid by the client to the custodian on trades.

### **Discretionary Authority for Trading**

Certain clients choose to grant SCM the authority to manage securities on their behalf on a discretionary basis without seeking approval for trading prior to implementation of an investment program. A discretionary agreement governs all aspects of this relationship and clients are provided monthly statements and ongoing reports that document all trades,

amounts of securities bought or sold, the timing of any trades, and values of assets involved.

The client approves the custodian to be used and the commission rates paid to the custodian. SCM does not receive any portion of the transactions fees or commissions paid by the client to the custodian on trades.

### **Limited Power of Attorney**

A limited power of attorney is a trading authorization that is executed with a client's account custodian (for instance, the Vanguard Group, Morgan Stanley, and PNC Bank) for this purpose.

For discretionary authority for trading, the client signs a limited power of attorney so that SCM may execute trades designed to implement ongoing investment management programs that have either been pre-approved or for which consent has been granted.

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

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### **Proxy Votes**

When assistance is requested, SCM will provide recommendations to non-discretionary clients and vote proxies according to their guidance. SCM, in its normal course of business, will vote proxies for discretionary clients in keeping with the client's guidance on issues that may affect them or subject to their beliefs. If a conflict of interest exists, it will be disclosed to the client. A client may obtain a confirmation of SCM's proxy vote on its behalf directly from SCM.

Clients may contact SCM for more information on SCM's proxy voting policies and procedures.

## **Item 18. Financial Information**

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### **Financial Condition**

SCM does not have any financial impairment that will preclude the Firm from meeting contractual commitments to its clients. A balance sheet is not required to be provided because SCM does not serve as a custodian for client funds or securities, and does not require prepayment of fees. SCM has not been the subject of a bankruptcy petition at any time.

## **Business Continuity Plan**

### ***General***

SCM has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, and the services of key individuals.

### ***Disasters***

The Business Continuity Plan covers natural disasters, such as snow storms, hurricanes, tornados, and flooding. The plan also covers man-made disasters, such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident, and aircraft accident. Electronic files are backed up daily and archived offsite.

### ***Alternate Offices***

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is SCM's intention to contact all clients within five days of a disaster that dictates moving its office to an alternate location.

## **Loss of Key Personnel**

SCM has a Business Continuation Agreement with the Shamrock Asset Management Group, an affiliate of SCM's minority owner, in the event of Howard A. Trauger's serious disability or death.

## **Information Security Program**

SCM maintains an information security program to reduce the risk that clients' personal and confidential information may be breached.

## **Privacy Notice**

SCM is committed to maintaining the confidentiality, integrity, and security of the personal and confidential information that is entrusted to it. The categories of nonpublic information that SCM collects from clients may include information about a client's personal finances, health (to the extent that it is needed for financial decision making), and transactions between the client and third parties. SCM uses this information to help clients meet stated financial goals and objectives.

With the client's permission, SCM may disclose limited information to attorneys, accountants and custodians with whom a client has established a relationship. A client may opt out from sharing information with these nonaffiliated third parties by notifying SCM at any time by mail, fax, or email. With a client's permission, SCM may share a

limited amount about a client with the client's brokerage firm in order to execute securities transactions on the client's behalf.

SCM maintains a secure office to ensure that all client information is not placed at unreasonable risk. SCM employs a standard firewall barrier, secure data encryption techniques, and authentication procedures in its computer environment.

SCM does not provide its clients' personal information to mailing list vendors or solicitors. SCM requires strict confidentiality in its agreements with unaffiliated third parties that require access to clients' personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review SCM's company records and clients' personal records as permitted by law.

Personally identifiable information about clients will be maintained while individuals or businesses are clients of SCM and for a period thereafter as required by federal and state securities laws. After that time, information may be destroyed. SCM will notify a client in advance if its Privacy Policy is expected to change. SCM is required by law to deliver this Privacy Notice to clients annually, in writing.

## **Education and Business Standards**

SCM requires that advisors in its employ have a bachelor's degree and further coursework demonstrating knowledge of financial analysis and portfolio management. Additionally, advisors must have work experience that demonstrates their aptitude for financial analysis and investment management.

### ***Management Personnel Resumes***

#### **Howard A. Trauger – President**

Mr. Trauger formed Schuylkill Capital Management, LLC in 1990 to provide conservative investment management to a select group of private clients. Prior to founding SCM, he was portfolio manager for \$120 million of personal trust assets and co-manager of \$140 million in Trust assets at PNC Bank in Philadelphia. Howard is past-president of the CFA Institute, Philadelphia Chapter; the Philadelphia Securities Association and the Bond Club of Philadelphia. He has been a member of the Pennsylvania State University MBA Alumni board of Advisors and currently sits on the Oversight Committee of the Nittany Lion Fund, LLC.

- Education:
  - Bachelor of Science – Finance, Pennsylvania State University, 1969
  - MBA – Finance, Pennsylvania State University, 1979
- Date of Birth: September 1, 1946
- Employment: President, Schuylkill Capital Management, LLC (since November 1990)
- Disciplinary Information: None

- Other Business Activities: None
- Additional Compensation: None

## **Item 19. Requirements for State-Registered Advisers**

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The following individuals are the principal executive officers and management persons of SCM:

- Howard A. Trauger, Member/President/Treasurer/Chief Compliance Officer
- Shirley A. Trauger, Member

Information regarding the formal education and business background for Howard Trauger is provided in his respective Brochure Supplement (Part 2B of Form ADV). Shirley Trauger's education and business background is as follows:

### **Shirley A. Trauger**

#### *Education:*

- Bucknell University, B.A. in Theater and English, 1970
- Pennsylvania State University, M.B.A. in Arts Management, 1977

#### *Business Background:*

- Member, Schuylkill Capital Management, LLC, 1990 – Present
- Vice President, Schultz & Williams, 1996 – Present

SCM is not engaged in any business activity other than giving investment advice.

Neither SCM nor our supervised persons are compensated for advisory services with performance-based fees. Neither SCM nor our management personnel have a relationship or arrangement with any issuer of securities.

We are required to disclose all material facts regarding certain legal or disciplinary events pertaining to arbitration awards or other civil, regulatory or administrative proceedings in which our firm or management personnel were found liable or against whom an award was granted:

<u>Regulatory Action Initiated By:</u>	Securities and Exchange Commission
<u>Sanction(s) Sought:</u>	Censure, Civil Penalty
<u>Date Initiated:</u>	09/30/1997
<u>Docket/Case Number:</u>	3-9457

<u>Employing firm when activity occurred</u>	Schuykill Capital Management Ltd.
<u>which led to the regulatory action:</u>	
<u>Product Type:</u>	No Product
<u>Allegations:</u>	The proceeding challenged the adequacy of the firm's disclosure of a soft dollar arrangement from December 1993 until August 1995.
<u>Current Status:</u>	Final
<u>Resolution Date:</u>	09/30/1998
<u>Sanction(s) Ordered:</u>	Censure, Monetary/Fine \$5,000
<u>Sanction Details:</u>	A fine of \$5,000 was paid.
<u>Summary:</u>	The SEC alleged that the individual's firm had inadequate disclosure of a soft dollar arrangement. Without admitting or denying the findings, the firm and individual agreed to pay civil fines and improve its soft dollar disclosures and procedures manual.

**Brochure Supplement**  
(Part 2B of Form ADV)

**Howard A. Trauger**

**Schuylkill Capital Management, LLC**  
**1629 Locust Street,**  
**Philadelphia, PA 19103**  
**(215) 735-0299**  
**[howard@schuylkillcap.com](mailto:howard@schuylkillcap.com)**  
**[www.schuylkillcap.com](http://www.schuylkillcap.com)**

This brochure supplement provides information about Howard A. Trauger that supplements the Schuylkill Capital Management, LLC Brochure. You should have received a copy of that brochure. Please contact Howard A. Trauger, Chief Compliance officer, at (215) 735-0299 if you did not receive our brochure or if you have any questions about the contents of this supplement.

Additional information about Howard A. Trauger is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Howard A. Trauger is 2108866.

## **Item 2. Educational Background and Business Experience**

Howard Albert Trauger

Year of Birth: 1946

Education:

Mr. Trauger graduated in 1969 from Pennsylvania State University with a B.S. in Finance and earned his M.B.A. in Finance from Pennsylvania State University in 1979.

Business Background:

11/1990 to Present - President, Schuylkill Capital Management, LLC

## **Item 3. Disciplinary Information**

Mr. Trauger has one reportable disciplinary event to disclose:

<u>Regulatory Action Initiated By:</u>	Securities and Exchange Commission
<u>Sanction(s) Sought:</u>	Censure, Civil Penalty
<u>Date Initiated:</u>	09/30/1997
<u>Docket/Case Number:</u>	3-9457
<u>Employing firm when activity occurred which led to the regulatory action:</u>	Schuylkill Capital Management Ltd.
<u>Product Type:</u>	No Product
<u>Allegations:</u>	The proceeding challenged the adequacy of the firm's disclosure of a soft dollar arrangement from December 1993 until August 1995.
<u>Current Status:</u>	Final
<u>Resolution Date:</u>	09/30/1998
<u>Sanction(s) Ordered:</u>	Censure, Monetary/Fine \$5,000
<u>Sanction Details:</u>	A fine of \$5,000 was paid.
<u>Summary:</u>	The SEC alleged that the individual's firm had inadequate disclosure of a soft dollar arrangement. Without admitting or denying the findings, the firm and individual agreed to pay civil fines and improve its soft dollar disclosures and procedures manual.

## **Item 4. Other Business Activities**

Mr. Trauger is not engaged in any additional business activities.



**Item 5. Additional Compensation**

Mr. Trauger does not receive any additional compensation from third parties for providing investment advice to our clients.

**Item 6. Supervision**

Mr. Trauger is the Chief Compliance Officer of SCM and as such has no internal supervision placed over him. He is however bound by our firm's Code of Ethics. Mr. Trauger can be reached at (215) 735-0299.

**Item 7. Requirements for State-Registered Advisers**

Mr. Trauger has never been the subject of a bankruptcy petition.

Mr. Trauger has one reportable disciplinary event to disclose:

<u>Regulatory Action Initiated By:</u>	Securities and Exchange Commission
<u>Sanction(s) Sought:</u>	Censure, Civil Penalty
<u>Date Initiated:</u>	09/30/1997
<u>Docket/Case Number:</u>	3-9457
<u>Employing firm when activity occurred</u> <u>which led to the regulatory action:</u>	Schuykill Capital Management Ltd.
<u>Product Type:</u>	No Product
<u>Allegations:</u>	The proceeding challenged the adequacy of the firm's disclosure of a soft dollar arrangement from December 1993 until August 1995.
<u>Current Status:</u>	Final
<u>Resolution Date:</u>	09/30/1998
<u>Sanction(s) Ordered:</u>	Censure, Monetary/Fine \$5,000
<u>Sanction Details:</u>	A fine of \$5,000 was paid.
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