



## FORM ADV 2A BROCHURE

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This brochure provides information about the qualifications and business practices of SCF Investment Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 800.955.2517 or by email at [compliance@scf-ia.com](mailto:compliance@scf-ia.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 SCFIA is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

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### ANNUAL UPDATE

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

### MATERIAL CHANGES SINCE THE LAST UPDATE

#### Fee Billing:

**Average Daily Balance:** The firm added language to clarify the calculation of fees on newly funded accounts utilizing ADB. Basically, when a new account is funded, the inception value is used to calculate the amount to be billed for the first prorated period, as there are no historical days to determine an average value. The billing period is prorated to the end of that first month or quarter. Once the first billing period is complete, then subsequent advisory fees will be billed in advance, using the average daily balance of the preceding period.

**Withdrawals or Contributions:** Clarified that for accounts billed in advance, that contributions or withdrawals of \$10,000 or more will generate a prorated fee adjustment on the next recurring billing period. This change will take effect beginning with the 3Q 2015 billing period (i.e. July 2015 if billed monthly, or 3Q 2015 if billed quarterly).

### BROCHURE AVAILABILITY

If you would like to receive additional copies of our Firm Brochure, please contact us by telephone at (800) 955-2517 or by email at [compliance@scf-ia.com](mailto:compliance@scf-ia.com).

**FIRM DESCRIPTION**

SCF Investment Advisors, Inc. ("SCFIA") was founded in 2003.

SCFIA provides personalized confidential financial planning and investment management to individuals, institutions, pension and profit sharing plans, trusts, estates and charitable organizations. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

Investment advice is an integral part of financial planning. In addition, SCFIA advises clients regarding cash flow, college planning, retirement planning, tax planning and estate planning.

Investment advice is provided, with the client making the final decision on investment selection. SCFIA does not act as a custodian of client assets. The client always maintains asset control. SCFIA, and third party managers to whom clients are referred, may place trades for clients under a limited power of attorney.

**PRINCIPAL OWNERS**

SCF Holdings, Inc. is a 75% or greater stockholder; Randy L. Meadows is a 5% or less stockholder. Mark A. Townsend is a 5% or less stockholder.

**ASSETS UNDER MANAGEMENT**

As of February 20, 2014, SCFIA manages approximately \$865 million in assets for approximately 6500 accounts. Approximately \$829 million is managed on a discretionary basis, and \$ 36 million is managed on a non-discretionary basis.

**TAILORED RELATIONSHIPS**

SCFIA offers advisory services to its clients in various programs through Investment Advisor Representatives ("IARs"). The goals and objectives for each client are obtained by the IAR to assist in determining the appropriate program and are documented in our client relationship management system. IAR's are responsible for gathering necessary financial information from the client and recommending a product or service offered by SCFIA, described herein. Additional programs offered by SCFIA are described in its wrap fee program brochure (a wrap program is an advisory program in which advisory fees and execution fees are "bundled"). The IAR provides ongoing investment advice and management that is tailored to the individual needs of the Client through a review of the profile and objectives of the Client. For more information about the IAR who provides advisory services to the Client, Client should refer to the Brochure Supplement for the IAR. The Brochure Supplement is a separate document that is provided by the IAR along with this Brochure before or at the time Client engages the IAR. If a Client did not receive a Brochure Supplement for the IAR, the Client should contact the IAR or SCFIA's Chief Compliance Officer.

The services to be provided to clients are set out in an advisory agreement between SCFIA and the client. Clients may impose restrictions on investing in certain securities or types of securities. Agreements may not be assigned without client consent.

Periodic reviews are communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

The initial meeting, which may be by telephone, is considered an exploratory meeting to determine the extent to which financial planning and investment management may be beneficial to the client.

**TYPES OF ADVISORY SERVICES****ASSET MANAGEMENT**

Assets are invested in traded and/or non-traded securities and may also include: no-load or low-load mutual funds, exchange-traded funds, equities (stocks), corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), U.S. government securities, alternative investments, options contracts and interests in partnerships. Investments may be purchased through its affiliated broker/dealer, fund companies, or qualified custodians. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Brokerage firms may charge a transaction fee for the purchase or sale of some securities and will charge account service fees.

**ASSET MONITORING**

Asset monitoring services allows IAR to act as a solicitor to assist Client in establishing one or more portfolio(s) with one or more third party money managers, for a percentage of the fee the Client will pay to the third party money / portfolio manager(s); and/or monitor the performance of any portfolio established for the client by the IAR or any other portfolio as designated by Client. Firm, or its Advisor, will never have direct access to the Client's investment capital. The qualified custodian(s) will maintain physical custody of all funds and securities of the Account, and Client will retain all rights of ownership of the Account. Client must promptly inform SCFIA in writing of any changes in the client's investment objectives or circumstances.

SCFIA may help Client identify and match a Portfolio Manager to the personal and financial data provided by the Client. The selection of the Portfolio Manager is made solely by the Client. The Portfolio Manager will invest the Account(s) on a discretionary basis. SCFIA will not make any recommendations or provide individualized investment advice regarding specific investments or have any authority to make investments in the Account(s). The Portfolio Manager designated in the Portfolio Manager's respective application and agreement may invest and reinvest, on a discretionary basis without contacting Client for prior approval, securities and/or cash that the Client may, from time to time, deposit in the Account(s), and to act for the Client in all matters necessary or incidental to such investments. The Client is responsible for contacting SCFIA if Client wishes to replace the Portfolio Manager.

## **FINANCIAL PLANNING**

Financial planning services allow IAR to prepare a Financial Plan, and furnish recommendations as to the allocation of present financial resources among different types of assets including investments, savings, and insurance with a view toward better correlating the assets with the Client's financial planning objectives; and/or prepare a Plan to assist the Client in defining personal financial planning goals and objectives in areas including but not limited to business planning, children's education, retirement planning, disability protection, estate planning, tax planning, and investments, and to supply analyses and recommendations as to the actions and investment strategies necessary to attain these goals and objectives.

## **MANAGED PORTFOLIOS: DIAMOND ALLOCATION SERIES**

In developing our strategies, we created a framework for meeting the financial needs of clients by determining varying levels of risk tolerance and then creating default long-term strategic allocations intended to be suitable for each risk level. The primary investment strategy used on client accounts is strategic asset allocation utilizing a core and satellite approach. This means that we use passively-managed index and exchange-traded funds as the core investments, and then add actively-managed funds where there are greater opportunities to make a difference. Portfolios are globally diversified to control the risk associated with traditional markets.

### **DIAMOND ALLOCATION SERIES: CORE STRATEGIES**

Our core strategies cover the risk spectrum, which allows us a constant frame of reference against which to measure our investment decisions.

### **DIAMOND ALLOCATION SERIES: COMPLEMENTARY STRATEGIES**

SCFIA Complementary Strategies are Sub-Advised by Palladium, LLC. The management fee charged on the Enhanced Income Portfolio and the Global Alternatives Portfolio is 25bps. This fee is shared on a tiered schedule between SCFIA and Palladium based on total assets sub-advised by Palladium.

## **TYPES OF AGREEMENTS**

The following Agreements define the typical client relationships.

### **FINANCIAL PLANNING AGREEMENT**

A financial plan is designed to help the client with all aspects of financial planning without ongoing investment management after the financial plan is completed.

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Detailed investment advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client.

The fee for a financial plan is predicated upon the facts known at the start of the engagement. The financial plan fee is set at the onset of the engagement and is negotiable. Payment is due upon delivery of the agreed upon services.

In the event that the client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided upon mutual agreement. The client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

After delivery of a financial plan, future face-to-face meetings may be scheduled as necessary. Follow-on implementation work is billed separately at a rate which is negotiable.

Neither SCFIA nor its Advisors provide legal or tax advice on behalf of SCFIA. Please consult with your appropriately-licensed attorney or tax professional. Since financial planning is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments.

## ADVISORY SERVICES AGREEMENT

Clients may choose to have SCFIA manage their assets in order to obtain ongoing in-depth advice and life planning. Many aspects of the client's financial affairs are reviewed. Realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

The scope of work and fee for an Advisory Services Agreement is provided to the client in writing prior to the start of the relationship. An Advisory Services Agreement may include but is not limited to cash flow management, insurance review, investment management, education planning, retirement planning, and estate planning, as well as the implementation of recommendations within each area.

The firm provides advice to Clients on managing their assets and may be provided as: 1) a "Wrap" program in that there is no charge for transaction charges and the annual fee is inclusive of advisory fees and transaction charges, or 2) a negotiated schedule of fees agreed upon by and between the client and the advisor, which may be inclusive or exclusive of transaction charges.

The Advisory Services standard annual fee assessed against assets under management ranges from 2.5% to 3.25% according to the following schedule:

|               |    |              |                 |
|---------------|----|--------------|-----------------|
| \$ 10,000     | To | \$ 50,000    | 3.25%* per year |
| \$ 50,001     | To | \$ 100,000   | 3.00%*          |
| \$ 100,001    | To | \$ 250,000   | 2.75%*          |
| \$ 250,001    | To | \$ 1,000,000 | 2.50%*          |
| \$ 1,000,001+ |    |              | Negotiable      |

*\*These services may be available at lower fees; all fees are negotiable; default application will be tiered unless otherwise noted.*

Account householding is permitted to obtain the next asset base for fee billing breakpoints. Membership in a household must be communicated to firm by client. Only spousal and dependent accounts qualify for householding. Minimum householded account value is \$10,000. Account minimum of \$10,000 may only be waived in special circumstances; in such circumstances, all assets in account will be billed at base tier. Fee shortages will be charged to IAR.

Although the Advisory Service 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 or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the billing period completed. The prorated fee computation will be based on the calculation methodology chosen by the Client, and will be adjusted for the number of days during the billing period up to the date of termination.

Neither SCFIA nor its Advisors provide legal or tax advice on behalf of SCFIA. Please consult with your appropriately-licensed attorney or tax professional.

## ASSET MONITORING AGREEMENT

Clients may choose to have SCFIA monitor and manage the investment and reinvestment of the assets in designated monitored accounts. Many aspects of the client's financial affairs are reviewed. Realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made on an ongoing basis.

The scope of work and fee for an Asset Monitoring Agreement is provided to the client in writing prior to the start of the relationship. An Asset monitoring services may include: 1) Acting as a solicitor to assist Clients in establishing one or more portfolio(s) with one or more third party money managers, for a percentage of the fee the Client will pay to the third party money / portfolio manager(s); and/or 2) Monitoring the performance of any portfolio established for the Client by the IAR or any other portfolio as designated by the Client.

The firm provides asset-monitoring services with respect to third party money managers, variable annuity products, plans such as 401(k)s, 403(b)s, mutual funds, and accounts held at financial institutions with which SCFIA has no direct relationship. SCFIA monitors the investment and reallocation of assets among sub-accounts offered by the insurance company that issues a variable annuity or among investment options in 401(k)s, 403(b)s, mutual funds and other plans or otherwise manages an account held at a custodian in accordance with a confidential Client profile, which includes the Client's investment objectives. Monitoring may be done on a discretionary or non-discretionary basis.

"Asset Monitoring" fees may be charged on a fixed-dollar basis (hourly or flat rate), a percentage-of-asset basis (tiered or flat rate), or as part of a solicitor defined fee schedule. These fees may be subject to negotiation depending upon a range of factors including, but not limited to, account size and overall range of services provided and geographical location.

Percentage-of asset annual fees assessed against assets under management ranges from 2.5% to 3.25% according to the following schedule:

|               |    |              |                 |
|---------------|----|--------------|-----------------|
| \$ 10,000     | To | \$ 50,000    | 3.25%* per year |
| \$ 50,001     | To | \$ 100,000   | 3.00%*          |
| \$ 100,001    | To | \$ 250,000   | 2.75%*          |
| \$ 250,001    | To | \$ 1,000,000 | 2.50%*          |
| \$ 1,000,001+ |    |              | Negotiable      |

*\* These services may be available at lower fees; all fees are negotiable; default application will be tiered unless otherwise noted.*

Account householding and minimums are determined by the firm maintaining the monitored accounts. Fee shortages will be charged to IAR.

Although the Asset Monitoring 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 or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the billing period completed. The prorated fee computation will be based on the calculation methodology chosen by the Client, and will be adjusted for the number of days during the billing period up to the date of termination.

Neither SCFIA nor its Advisors provide legal or tax advice on behalf of SCFIA. Please consult with your appropriately-licensed attorney or tax professional.

#### **ADMINISTRATIVE SERVICES PROVIDED BY ORION ADVISOR SERVICES, LLC**

SCFIA has contracted with Orion Advisory Services, LLC (referred to as "Orion") to utilize its technology platforms to support data reconciliation, performance reporting, fee calculation and billing, research, client database maintenance, quarterly performance evaluations, payable reports, web site administration, models, trading platforms, and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, Orion will have access to client accounts, but Orion will not serve as an investment advisor to SCFIA clients. SCFIA and Orion are non-affiliated companies.

#### **TERMINATION OF AGREEMENT(S)**

The selected Agreement(s) remain in effect from the date the Agreement(s) is signed until canceled by either party upon ten (10) business days written notice to the other. Upon receipt of such notice, the Agreement(s) will be terminated and the pro rata share of the fee will be refunded if billed in advance (pre-paid), or debited if billed in arrears. Until such notice of termination shall be received by this Advisor or this Advisor receives written notice of Client's death or legal incompetence, the Firm/Advisor shall be entitled to rely, and shall rely, upon the Agreement(s) to provide the Firm/Advisor with authority to continue to invest Client's assets as determined by this Advisor, and/or to continue to provide portfolio advisory and management services. If account is closed or transferred before the final fee can be billed, then Firm may invoice Client directly to collect any unpaid fees.

Advisor participates in a Wrap Fee Program. Please see our Wrap Fee Brochure for additional information.

### **FEES AND COMPENSATION**

#### **DESCRIPTION**

SCFIA bases its fees on a percentage of assets under management, hourly charges, fixed fees (not including subscription fees), subscription fees and/or commissions. Certain clients may have unique fee arrangements that are not specified herein. Fees that are specific to each SCFIA investment advisory program are described in detail herein. Account sizes specified for each program may be negotiable under certain circumstances. SCFIA may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee. The specific annual fee schedule is identified in the contract between the IAR and each client.

Financial plans are priced according to the degree of complexity associated with the client's situation. These facts include the complexity of the client's situation, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style and account composition, among other factors.

Fees are negotiable. Advisory services fees charged by other investment advisers may be similar to or lower than the fees that SCFIA charges.

#### **FEE BILLING**

Investment management fees are customarily billed quarterly, or as mutually agreed upon by the client (e.g. monthly), in advance and/or arrears dependent on agreed upon terms, meaning that we invoice you either before or after the agreed upon billing period has begun and/or ended. Payment in full is expected upon invoice presentation, and to facilitate billing, fees may be automatically deducted from the account based on a separate client agreement. If insufficient cash is available to pay fees in full, SCFIA, at its discretion, may liquidate sufficient positions to cover any shortfalls. The client must consent in advance to direct debiting of their investment account.

SCFIA utilizes the following calculation methodology for determining fees:



SCFIA will calculate the investment advisory fee at the beginning of each billing period by multiplying the Average Daily Balance (“ADB”) of Client’s Designated Assets during the previous billing period. The ADB is based upon an arithmetic average of daily closing account(s) values for each day in the billing period. In computing the value of the Designated Assets, SCFIA will rely upon the valuation data that is provided by the qualified custodian to SCFIA’s third-party billing system provider.

For new accounts, the investment advisory fee for the first billing period will be pro-rated, beginning with the date in which the account is funded and/or transferred to SCFIA, and ending on the last day of the billing period. For new accounts billed in advance, the investment advisory fee will be calculated based on the inception value of the account, since there is no historical balance value with which to compute any average; the pro-rated investment advisory fee for new accounts will be calculated after the end of the month in which the account is funded. The next regularly-recurring billing period (i.e. the first full month/quarter) will utilize the ADB methodology described in the previous paragraph. For new accounts billed in arrears, the first billing period will utilize the ADB methodology described above, and will be calculated at the end of the first month/quarter in which the account was opened.

The billing system will calculate a prorated advisory fee adjustment based on account contributions or withdrawals (“cash flows”) of \$10,000 or greater, for accounts billed in advance only. For example, a contribution will generate an additional advisory fee to be debited from the account, while a withdrawal will generate an advisory fee credit, or refund, to the account. Cash flow fee adjustments will not be calculated for accounts billed in arrears. The \$10,000 threshold will be aggregated as the sum of all cash inflows/outflows that are posted in an account within the same day. SCF will rely on third party technology providers as the basis for aggregating cash flow transaction data in client accounts. Qualifying cash flow fee adjustments will be calculated at the end of the completed billing period in which the cash flow transaction occurred, and may be labeled a “new money” fee and/or refund. For example, if a qualifying cash flows occurs in July, then the fee adjustment for the cash flow will be calculated in conjunction with the August advanced billing cycle if the account is billed monthly; if the account is billed quarterly, the fee adjustment for the cash flow would be billed in conjunction with the 4Q advanced billing cycle. SCFIA is not required to calculate cash flow fee adjustments in the middle of a billing cycle. If an account is partially or fully liquidated, but not formally closed at the custodian, then the liquidation may be treated as a cash flow adjustment rather than a closed account, which may also affect any advisory fee refund amount for an account. The calculation methodology for recurring monthly or quarterly fees (which computes based on average daily balance, as described previously) will not be affected.

The fee for a financial plan is predicated upon the facts known at the start of the engagement. The financial plan fee is set at the onset of the engagement and is negotiable. Payment is due upon delivery of the agreed upon services.

## **MANAGED PORTFOLIOS: SERVICES FOR ADVISORS**

The clients of third-party investment advisors pay advisory fees to those advisors who utilize Managed Portfolios through various Turnkey Asset Management Program (“TAMP”) organizations, which may include SCFIA. If SCFIA is not acting in a TAMP capacity, the TAMP organizations, in turn, pay the Firm monthly or quarterly fees equal to a percentage of the total net asset value that is invested on their platform in one of our strategies. These fees are negotiated separately between the Firm and each platform, and fees vary. Clients should review Form ADV 2A of the investment advisers who provide TAMP programs for information on the investment strategies used.

## **OTHER FEES**

Custodians charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is typically more important than the nominal fee that the custodian charges to buy or sell the security.

Client may incur certain charges imposed by third parties other than the Advisor in connection with investments made through the custodian including, but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of the Account. Management fees charged by the Advisor are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to Client. A description of these fees and expenses are available in each investment company security’s prospectus.

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

The advisor on the account is responsible for determining the rate to charge each client based on factors such as total amount of assets involved in the relationship, type of program, any base rate charged for the selected advisory account program, and complexity and mix of the portfolio. Advisory accounts billed by SCF will be charged a per account fee of \$50 per year for the utilization of SCFIA’s technology platform. This platform is used for advisory services including, but not limited to: calculating, billing, and reconciling advisory fees, investment performance reporting, and data aggregation. Additionally, accounts that require the use of a data aggregation service to be made available on the platform or are added to the platform for reporting only will be charged a fee of \$50 per year or \$25 per year, respectively. Fees are in addition to the stated fees mentioned above and will be automatically debited from Client’s designated account or invoiced to Client at the same billing frequency as selected above (i.e. \$50 annual fee is charged \$12.50 per quarter). The debit on Client’s next monthly account statement is Client’s notification of the exact amount that was debited. This service fee is in addition to the stated standard or negotiated advisory fees.

## **EXPENSE RATIOS**

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to SCFIA.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

## **COMPENSATION CONFLICTS OF INTEREST**

Advisory clients should be aware that there always exists a potential conflict of interests in which the same person or related firms will receive compensation both for recommending certain products and also for effecting transactions in those recommended products. Conflicts of interest that may arise in the course of providing investment management services are described throughout this brochure, as are some of our policies and procedures designed to address specific conflicts of interest, such as our Code of Ethics and personal trading practices. We have a compliance program in place that is intended to identify, mitigate and, in some instances, prevent actual and potential conflicts of interest, ensure compliance with legal and regulatory requirements and ensure compliance with client investment guidelines and restrictions. Our compliance program includes written policies and procedures we believe to be reasonably designed to prevent violations of applicable law and regulations.

## **PAST DUE ACCOUNTS AND TERMINATION OF AGREEMENT**

SCFIA reserves the right to stop work on any account that is past due. In addition, SCFIA reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in SCFIA's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded at account closing.

## **PERFORMANCE-BASED FEES**

### **SHARING OF CAPITAL GAINS**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

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

## **TYPES OF CLIENTS**

SCFIA generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and corporations or business entities.

Client relationships vary in scope and length of service.

### **ACCOUNT MINIMUMS**

SCFIA has the discretion to waive the account minimum. Accounts of less than \$10,000.00 may be set up when the client and the advisor anticipate the client will add additional funds to the accounts bringing the total to \$10,000.00 within a reasonable time. Other exceptions will apply to lower valued accounts householded with existing accounts and to employees of SCFIA and their relatives.

Clients receiving ongoing asset management services will be assessed a minimum annual fee of \$50 per account. Shortages will be charged to Advisor. 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. Custodians may have minimum fees associated with accounts that are separate from the SCF \$50 minimum fee. Please refer to your elected custodians commission and trade fee schedule for more detail.

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

### **METHODS OF ANALYSIS**

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

The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases. Other sources of information that SCFIA may use include Morningstar Principia mutual fund information, Morningstar Principia stock information, Advisor Intelligence, and other specialized analysis software.

### **INVESTMENT STRATEGIES**

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

Other strategies may include long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing including covered options.

## RISK OF LOSS

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. 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 existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, 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, economic and social conditions 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 eroding at 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). 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, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are 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 in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Advisor cannot guarantee the future performance of the Account, promise any specific level of performance or promise that Advisor's investment decisions, strategies or overall management of the Account will be successful.

Client acknowledges that the Account is designed for long-term investments and that asset withdrawals or client-initiated trades may impair achievement of Client's investment objectives.

The investment recommendations and any decisions of Advisor on behalf of Client are subject to various market, currency, economic, political and business risks, and will not necessarily be profitable. In supervising the Account, Advisor will not consider any other securities, cash or other investments of Client unless Client has told Advisor to do so in Client's written instructions to Advisor.

SCFIA provides investment supervisory services, also known as asset management services; manages investment advisory accounts not involving investment supervisory services and furnishes investment advice through consultations.

## ALTERNATIVE INVESTMENTS AND DERIVATIVES

Mutual funds used in the product may invest in alternative investments strategies or derivatives that are often more volatile than other investments and may magnify the vehicle's gains and losses. A derivative is a security or contract (futures, options etc.) the value of which fluctuates with the value of another security (i.e., its value is "derived" from the value of another). An investment vehicle that uses derivatives could be negatively affected if the change in market value of its securities fails to correspond as expected to the underlying securities.

Alternative investment products are not for everyone and entail risks that are different from more traditional investments. Alternative investment strategies are intended for sophisticated investors and involve a high degree of risk, including, among other things, the risks inherent in investing in securities and derivatives, using leverage, and engaging in short sales. An investment in an alternative investment product or strategy may be considered speculative and should not constitute a complete investment program. Diversification and strategic asset allocation do not assure a profit or protect against loss in declining markets.

The potential for a commodity investment vehicle to use derivative instruments, such as futures, options, and swap agreements, to achieve its investment objective may create additional risks that would not be present in the underlying securities themselves, thus raising the potential for greater investment loss.

## MARGIN RISK

It is important that Client fully understands the risks involved in trading securities on margin. These risks include, but are not limited to, the following:

- Client can lose more funds than Client deposits in the margin account. A decline in the value of securities Client purchased on margin may require Client to provide additional funds or margin-eligible securities to Custodian and/or Firm to avoid the forced sale of any securities or assets in Client's account(s).
- Custodian and/or Firm can force the sale of securities or other assets in Client's account(s). If the equity in Client's account falls below the maintenance margin requirements or Custodian's and/or Firm's higher "house" requirements, Custodian and/or Firm can sell the securities or other assets in any of Client's accounts held at Custodian through Firm to cover the margin deficiency. Custodian may also take action to sell securities or other assets in Client's accounts held with Custodian and certain Custodian affiliates. Client also will be responsible for any short fall in the account after such a sale, possibly including Custodian and/or Firm costs related to collecting the short fall. If Client is a director, officer or 10% shareholder of an issuer whose securities Custodian sells to cover a margin deficiency in Client's account, Client could be liable to this issuer for profits from the forced sale, as compared with any purchases Client may have made of securities of the same issuer within six months of the sale (note that Client could receive such a profit even if a shortfall remains in the account after the sale).
- Custodian and/or Firm can sell Client's securities or other assets without contacting you. Some investors mistakenly believe that a firm must contact them for a margin call to be valid, and that the firm cannot liquidate securities or other assets in their accounts to meet the call unless the firm has contacted them first. This is not the case. Most firms will attempt to notify their customers of margin calls, but they are not required to do so. In addition, even if a firm has contacted a customer and provided a specific date by which the customer can meet a margin call, the firm can still take necessary steps to protect its financial interests prior to that date, including immediately selling the securities without notice to the customer.
- Client is not entitled to choose which securities or other assets in Client's account(s) are liquidated or sold to meet a margin call. Because the securities and any other assets in Client's account(s) are collateral for the margin loan, Custodian and/or Firm has the right to decide which assets to sell in order to protect its interests.
- Custodian can increase its "house" maintenance margin requirements at any time and is not required to provide Client advance notice. These changes in firm policy often take effect immediately and may result in the issuance of a maintenance margin call. Client's failure to satisfy the call may cause Custodian and/or Firm to liquidate or sell securities or any other assets in Client's account(s).
- Client is not entitled to an extension of time on a margin call. While an extension of time to meet margin requirements may be available to customers under certain conditions, a customer does not have a right to the extension.
- Short selling is a margin account transaction and entails the same risks as described above. Custodian and/or Firm can buy in Client's account securities to cover a short position without contacting Client, and may use all or any portion of the assets in Client's account to make such a purchase. If the assets in Client's account are not sufficient to cover the cost of such a purchase, Client will be responsible for any shortfall, possibly including Custodian's and/or Firm's costs in collecting the shortfall.
- Custodian can loan securities held in Client's margin account which collateralize Client's margin borrowing. In connection with the extension or maintenance of margin credit, Custodian may loan securities in Client's margin account to itself or to others. As a result of these loans, Client may not be entitled to receive certain benefits of a securities owner, such as the ability to exercise voting rights and/or receive interest, dividends, and/or other distributions with respect to the securities lent. While a security in Client's account is lent, Client may only be allocated and receive substitute payments in lieu of such interest, dividends, and/or other distributions. Substitute payments may not be afforded the same tax treatment as actual interest, dividends, and/or other distributions, and Client may incur additional tax liability for substitute payments that Client receive. Custodian may allocate substitute payments in any manner permitted by law, rule, or regulation, including, but not limited to, by means of a lottery allocation method. Client is not entitled to any compensation in connection with securities lent from Client's account or for additional taxes Client may be required to pay as a result of any tax treatment differential between substitute payments and actual interest, dividends, and/or other distributions.
- In addition to market volatility, the use of bank card, checkwriting and similar features with Client's margin account may increase the risk of a margin call.
- Custodian may use certain securities in Client's account in connection with short sales and may receive compensation in connection therewith.

## WRAP FEE DISCLOSURE

The Firm offers investment advisory and consulting services to individuals, trusts, estates, charitable organizations and business entities. All fee based accounts opened with the Firm are considered managed advisory accounts and generally require an initial minimum portfolio value of \$10,000. Lower valued accounts may be accepted at the discretion of the firm; please see Account Minimums section for more information. In contrast to a non-advisory brokerage account, in a managed advisory account clients are charged a single fee for combined advisory, brokerage, custody and processing services associated with the account. This single, combined fee is typically referred to as a "wrap fee". Investment advisory services begin with gathering client information regarding financial circumstances, investment objectives and risk tolerance.

The Firm's Advisors use this information to determine the appropriate services to offer to the client and the type of investments and programs to recommend or select for a client account. At least annually the Firm's Advisors will review with clients their financial circumstances, investment objectives and risk profile. For the Firm to provide effective advisory services, it is important that clients provide accurate and complete information to the Firm and update their information when there is any change in circumstances, objectives or risk tolerance.

The amount of the wrap fee charged to clients will vary according to the type of advisory account services and programs, selections made within the programs and rates negotiated with the client. For all advisory accounts the client pays an annualized fee based on the client's total eligible assets under management. The maximum allowed wrap fee that a client can be charged is 3.25% (exclusive of underlying fund expenses). The advisor on the account is responsible for determining the rate to charge each client based on factors such as total amount of assets involved in the relationship, type of program, any base rate charged for the selected advisory account program, and complexity and mix of the portfolio.

Although clients will generally not be separately charged for any fees other than the wrap fee in an advisory account, the wrap fee may not cover certain other charges and fees that occur in connection with transactions in the account.

These costs and fees will generally be priced into the investments and include costs such as: (i) dealer markups, markdowns or spreads charged on transactions in over-the-counter securities; (ii) costs relating to trading in certain foreign securities; (iii) the internal charges and fees that may be imposed by any collective investment, such as mutual funds and closed-end funds, unit investment trusts, exchange-traded funds or real estate investment trusts (Such costs may include fund operating expenses, management fees, redemption fees, 12b-1 fees and other fees and expenses. Information regarding charges and fees assessed in such products may be found in the product prospectus or offering document.); (iv) charges imposed by certain broker-dealers or entities who may clear a particular trade; (v) the charge to carry tax lot information on transferred mutual funds or other investment vehicles, postage and handling charges, wire fees, returned check charges, transfer taxes; stock exchange fees or other fees mandated by law.

The Firm reserves the right to pass on charges imposed by its custodian or other service providers to its clients.

Asset based or wrap fee accounts occur in connection with an investment advisor relationship, which is governed by the rules and regulations set out in the Investment Advisors Act of 1940 and applicable state laws governing investment advisors.

Transaction based accounts occur in connection with a broker-dealer relationship, which is governed by the rules and regulations set out in the Securities and Exchange Act of 1934, the Securities Act of 1933, as well as applicable state laws and the rules of self-regulatory organizations such as the Financial Industry Regulatory Authority (FINRA) and the New York Stock Exchange.

In an advisory relationship the advisor has a fiduciary duty to the client. Federal law does not impose a fiduciary duty on advisors in a brokerage relationship.

The broad types of managed advisory services available to clients of the Firm consist of the following: (i) discretionary management of client accounts by a qualified SCF Financial Advisor; (ii) discretionary management of separate client accounts by one or more third party money managers; (iii) non-discretionary construction of model portfolios by an SCF Financial Advisor with limited discretion to rebalance the portfolio to maintain agreed to asset allocation levels; (iv) non-discretionary accounts utilizing various portfolio approaches along with asset allocation, research, analysis and performance reporting; and (v) other general advisory services such as providing investment policy advice and assistance, developing asset allocation strategies, manager selection and evaluation, and review of accounts to assist with adherence to investment policy guidelines.

Through its clearing relationship with National Financial Services LLC, the Firm will make available to clients certain investment management and investment advisory services offered by Envestnet Asset Management Inc. ("Envestnet"), an investment management firm headquartered in Chicago, Illinois.

The Firm may make services and products available to its clients from other companies similar to Envestnet. Of the total fee charged to clients by the Firm when utilizing investment services through Envestnet a portion, ranging from .10% to 1.50% will be paid to Envestnet as compensation for the use of advisory services and programs selected by the client.

The Firm will also pay a portion of the total fee charged to the client to the custodial partner as compensation for providing execution, clearing and custodial services on the client account. Of the remaining amount of the fee charged to clients, a portion will be paid to the SCF Financial Advisor (or team of advisors) servicing the client relationship. The remainder of the fee is paid to the Firm.

SCF Financial Advisors recommending advisory accounts to clients receive compensation as a result of the client's participation in the advisory program. The amount of such compensation may be more than what the Financial Advisor would be paid if the client participated in different advisory programs or paid separately for investment advice, brokerage, and other services. To the extent this occurs there may be a financial incentive to recommend the wrap fee program over other programs or services.

## **DISCIPLINARY INFORMATION**

### **LEGAL AND DISCIPLINARY**

The firm, the firm's management, and back office employees have not been involved in legal or disciplinary events related to past or present advisory clients. Firm or individual advisor information is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

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

### **FINANCIAL INDUSTRY ACTIVITIES**

SCFIA is affiliated with SCF Securities, Inc., a registered securities broker-dealer and SCF Marketing, Inc., an insurance agency. Clients may wish to purchase securities and/or insurance products through the affiliated firms. However, no advisory client is in any way obligated to purchase any recommended products or to purchase them through the affiliated firms.



## **AFFILIATIONS**

SCFIA has arrangements that are material to its advisors or its clients with related entities, which are a broker-dealer and an insurance marketing agency.

SCF Securities, an affiliated entity under common ownership with SCFIA, will debit fees from client accounts on behalf of SCFIA for all accounts held at National Financial Services. SCF Securities, as introducing broker/dealer for SCFIA accounts, will promptly transmit fees to SCFIA upon receipt.

We have established an agreement with Hanson McClain Retirement Network, LLC (HMRN), a registered broker-dealer and investment advisor in which the associated persons of HMRN provide consultation and marketing support services to representatives to assist them in obtaining more clients. As a result of this relationship, we pay HMRN a portion of the fees from any clients obtained as a result of the services provided by HMRN.

## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **CODE OF ETHICS**

The employees of SCFIA have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

SCFIA 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.

### **PERSONAL TRADING**

The Chief Compliance Officer of SCFIA is Ricardo Almaguer. He reviews all employee trades each quarter. His trades are reviewed by SCFIA CEO Randy Meadows. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment ahead of SCFIA employees.

## **BROKERAGE PRACTICES**

### **SELECTING BROKERAGE FIRMS**

SCFIA does not have any affiliation with product sales firms. Specific custodian recommendations are made to Clients based on their need for such services. SCFIA does not require or recommend the use of any particular broker/dealer to serve as qualified custodian. SCFIA's services are considered "open architecture", and the Firm's arrangement with Orion (described in "Advisory Business") permits SCFIA to manage accounts held at broker/dealers selected and determined by the introducing Advisor or TAMP sponsor. Clients may be required to use a particular broker/dealer, but the requirement to do so is determined by the Investment Advisor Representative or TAMP sponsor.

SCFIA utilizes custodian relationships with financial institutions such as National Financial Services, LLC, a division of Fidelity Investments®, TD Ameritrade Institutional, Pershing Advisor Solutions, Schwab Institutional, and Institutional Wealth Services, a division of Fidelity Investments®.

SCFIA seeks the "best execution" in light of the circumstances involved in transactions. In determining the best execution, SCFIA takes into consideration not only the available prices and rates of brokerage commissions, but also other relevant factors that may include (but may not be limited to): (a) the execution capabilities of the Financial Institution; (b) research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice, and market analysis); custodial and other services provided by such Financial Institution that are expected to enhance our general portfolio management capabilities; (c) the size of the transaction; (d) the difficulty of execution; (e) the operational facilities of the Financial Institution; (f) the risk in positioning a block of securities, and (g) the quality of the overall brokerage and research services provided by the Financial Institution.

Financial Institutions may offer our clients 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. Financial Institutions may offer SCFIA products and services that assist in managing and administering clients' accounts, such as software and other technology that: (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing, and other market data; (iv) facilitate payment of management fees from client accounts, and (v) assist with back-office functions, recordkeeping, and client reporting. In addition, SCFIA receives services to help manage and further develop our business. This may include access to publications or complimentary attendance at industry events. Financial Institutions may make available, arrange and/or pay third-party vendors for services delivered to SCFIA. Financial Institutions may discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to our firm. Financial Institutions may also provide other benefits such as educational events or occasional business entertainment of our employees and may refer clients to SCFIA. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Advisor does not have to produce or pay for the products or services. The products and services received qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act").

The products and services available from Financial Institutions create a conflict of interest for SCFIA in allocating client brokerage business among firms that provide such products and services, and in allocating such business between Financial Institutions that do provide such products and services, and those that do not. In evaluating a custodial relationship at a particular Financial Institution, or whether to use a particular Financial Institution to execute a client transaction, SCFIA may take into account the availability of any or all of the above-mentioned products and services and other arrangements as part of the total mix of factors, rather than considering only the nature, cost, or quality of custody services or transaction-specific execution services provided by the Financial Institution. In some cases, the commissions charged by a particular Financial Institution for a particular transaction or set of transactions may be greater than the amounts another Financial Institution who did not provide brokerage or research services or products might charge. In some cases, a client's transaction may be executed by a Financial Institution in recognition of services or products that are not used in managing that client's account. SCFIA may not only consider that client's particular transaction or transactions, and not only the value of brokerage and research services and products to a particular client, but also the value of those services in the performance of our overall investment responsibilities to all of our clients. SCFIA may use any products and services we obtain from Financial Institutions to benefit all of our clients. Some clients may direct us to use a Financial Institution that does not provide goods and services to SCFIA, even though those clients' accounts, or our operations as a whole, benefit from other clients' relationships with Financial Institutions that do provide such goods and services. The conflict of interest for us in selecting Financial Institutions is particularly strong to the extent that Financial Institutions provide products and services that we would otherwise be required to pay for ourselves.

## **BEST EXECUTION**

SCFIA reviews the execution of trades at each custodian each quarter. The review is documented in the *SCFIA Compliance Manual*. Trading fees charged by the custodians to SCFIA are also reviewed on a quarterly basis.

The fees paid by Advisor's clients comply with Advisor's duty to obtain "best execution." Clients may pay fees that are higher than another qualified Financial Institution might charge to effect the same transaction where Advisor determines that the fees are 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 Financial Institution's services and the fees for those services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Advisor seeks competitive rates but may not necessarily obtain the lowest possible transaction rates for client transactions.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Advisor in its investment decision-making process. Such research generally will be used to service all of Advisor's clients, but brokerage fees paid by one client may be used to pay for research that is not used in managing that client's portfolio.

## **ORDER AGGREGATION**

Advisor is authorized in its discretion (but is not obligated) to aggregate, batch or combine purchases and sales and other transactions made for the Account with purchases and sales and other transactions in the same or similar securities or instruments for other clients of Advisor. When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and the Account will be deemed to have purchased or sold its proportionate share of the securities or instruments involved at the average price so obtained. Advisor will endeavor to process all Account transactions in a timely manner, but Advisor neither represents nor warrants that any such transaction will be processed or effected by the qualified custodian or broker-dealer on the same day as requested.

## **ALLOCATION DECISIONS**

Advisor may manage investments for other clients and may give other clients advice or take actions for them, for Advisor's accounts or for accounts of persons related to Advisor that is different from the advice Advisor gives Client or actions Advisor takes for Client. Advisor is not obligated to buy, sell or recommend for Client any security or other investment that Advisor may buy, sell or recommend for any other clients, for Advisor's accounts or for the accounts of persons related to Advisor.

Conflicts may arise in the allocation of investment opportunities among accounts that Advisor manages. Advisor will seek to allocate investment opportunities believed appropriate for Client's account(s) and other accounts advised by Advisor among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to Advisor's attention will be allocated in any particular manner.

If Advisor obtains material, non-public information about a security or its issuer that Advisor may not lawfully use or disclose, Advisor will have no obligation to disclose the information to Client or use it for Client's benefit.

## **BROKERAGE FIRM DISCLOSURE**

Advisor participates in the institutional advisor programs (the "Programs") offered by TD Ameritrade Institutional ("TDAI"), Pershing Advisor Solutions ("PAS"), Schwab Institutional ("Schwab") and Fidelity Institutional Wealth Services ("IWS"). TDAI is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA, an unaffiliated SEC-registered broker-dealer and FINRA member. The Programs offer to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the Program.

As disclosed above, Advisor participates in TDAI, PAS, Schwab and IWS' customer program and Advisor may recommend these firms to Clients for custody and brokerage services. There is no direct link between Advisor's participation in the programs and the investment advice it gives to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not

available to TDAI, PAS, Schwab and/or IWS' retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors. TDAI, PAS, Schwab and/or IWS may also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by TDAI, PAS, Schwab and/or IWS through the program may benefit Advisor but may not benefit its Client accounts. These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TDAI, PAS, Schwab and/or IWS. Other services made available by TDAI, PAS, Schwab and/or IWS are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TDAI, PAS, Schwab and/or IWS. As part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TDAI, PAS, Schwab and/or IWS for custody and brokerage services.

## **REVIEW OF ACCOUNTS**

### **PERIODIC REVIEWS**

SCF's Advisors will contact you, and typically meet with you at least annually, to review the performance of your account and any changes to your financial situation and investment goals and objectives. In addition, our Advisors typically review the quarterly performance report received from your account custodian. The nature and timing of the reviews may vary by your representative.

Advisors may also perform account reviews more frequently when market conditions dictate. Other conditions that may trigger a review include material market, economic or political events, changes in your financial or personal situation, or performance of the account in general. We also require you, in our standard client agreement, to inform your Advisor promptly of any changes to your information, including changes to your financial situation or investment objectives and policies.

### **REGULAR REPORTS**

Client's custodian will provide Client with a report showing a detailed summary of all income, expense, and capital changes for the prior reporting period.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

### **INCOMING REFERRALS**

SCFIA has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

### **REFERRALS OUT**

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. SCFIA does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them. Conflicts of interest involving SCFIA will be disclosed to the client in the event they should occur.

### **OTHER COMPENSATION**

We have established an agreement with Hanson McClain Retirement Network, LLC (HMRN), a registered broker-dealer and investment advisor in which the associated persons of HMRN provide consultation and marketing support services to representatives to assist them in obtaining more clients. As a result of this relationship, we pay HMRN a portion of the fees from any clients obtained as a result of the services provided by HMRN.

SCFIA Representatives (as a registered representative through a broker-dealer) may receive compensation on the sale of variable annuity products to Clients, including ongoing compensation, and also receive fees for monitoring the subaccounts in that product pursuant to the Agreement. Clients may also incur additional charges imposed by the insurance company or Financial Institution in connection with investments made through the Account(s), including but not limited to 12b-1 distribution or administration fees paid by a mutual fund, deferred sales charges on previously purchased mutual funds, and plan fees, some of which may be received by SCFIA or their affiliates.



Advisor will place trades through the qualified custodian. Qualified custodians utilized by the Advisor include National Financial Services ("NFS"), Pershing Advisor Solutions ("PAS"), TD Ameritrade Institutional ("TDAI"), Schwab Advisor Services ("Schwab"), and Fidelity Institutional Wealth Services ("IWS"). Qualified custodians may include insurance companies, mutual funds, or other financial institutions.

The qualified custodian(s) will maintain physical custody of all funds and securities of the Account, and Client will retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account. Client's beneficial interest in a security does not represent an undivided interest in all the securities held by the qualified custodian(s), but rather represents a direct and beneficial interest in the securities which compose the Account. At least quarterly, Client will receive an account statement from the qualified custodian of the Account detailing transactions in the Account. Any checks drawn on Client's account will be at Client's instructions only. All transactions will be confirmed by receiving customary statements from Client's custodian broker-dealer.

Transaction charges are billed directly to Advisor by the qualified custodian for the Account and Advisor will not receive any portion of such fees. Qualified custodian charges will vary from custodian to custodian, and may be assessed directly to the client. Some programs offered by the Advisor are "wrap fee" accounts, meaning Client does not pay transaction charges associated with trade execution. In such programs, all transaction ticket fees charged by the qualified custodian for the Account will be included in the fee for asset management services charged by Advisor. Client should thoroughly review and understand the nature and amount of fees and or ticket charges outlined in qualified custodian account documentation.

## **ACCOUNT STATEMENTS**

All assets are held at qualified custodians which means the custodians provide account statements directly to clients at their address of record at least quarterly.

## **INVESTMENT DISCRETION**

### **DISCRETIONARY AUTHORITY FOR TRADING**

SCFIA accepts discretionary authority to manage securities accounts on behalf of clients. SCFIA has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, SCFIA consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

The client approves the custodian to be used and the transaction fees paid.

Discretionary trading authority facilitates placing trades in your accounts on your behalf so that we may promptly implement the investment policy that you have approved in writing.

### **LIMITED POWER OF ATTORNEY**

A limited power of attorney is a trading authorization for this purpose. You may sign a limited power of attorney so that trades may be executed on your behalf.

## **VOTING CLIENT SECURITIES**

### **PROXY VOTES**

SCFIA does not vote proxies on securities. Clients are expected to vote their own proxies.

## **FINANCIAL INFORMATION**

### **FINANCIAL CONDITION**

SCFIA does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because SCFIA does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

## **BUSINESS CONTINUITY PLAN**

### **GENERAL**

SCFIA follows the Business Continuity Plan ("BCP") of its affiliated broker/dealer, which provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people. The BCP can be found online at [www.scfsecurities.com](http://www.scfsecurities.com).

### **DISASTERS**

The Business Continuity Plan covers natural disasters such as earthquakes, snow storms, hurricanes, tornados, and flooding. The Plan 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 onsite and archived offsite weekly.

## **ALTERNATE OFFICES**

Alternate offices will be identified to support ongoing operations in the event the main office is unavailable.

## **INFORMATION SECURITY PROGRAM**

### **INFORMATION SECURITY**

SCFIA maintains an information security program to reduce the risk that your personal and confidential information may be breached.

### **PRIVACY NOTICE**

SCFIA is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this Privacy Notice to you annually, in writing.

## **BROCHURE SUPPLEMENT (PART 2B OF FORM ADV)**

### **EDUCATION AND BUSINESS STANDARDS**

In addition to the examinations any given state may require each investment adviser representative to pass they must also be registered and licensed in order to give investment advice in that state. The firm employs associates who demonstrate a history of successful experience within the securities and or insurance industry. The firm requires that its representatives have at least a high school education.

### **PROFESSIONAL CERTIFICATIONS**

Some employees have earned certifications and credentials that are required to be explained in further detail.

**Certified Financial Planner (CFP):** Certified Financial Planners are licensed by the CFP Board to use the CFP mark. CFP certification requirements:

- Bachelor's degree from an accredited college or university.
- Completion of the financial planning education requirements set by the CFP Board ([www.cfp.net](http://www.cfp.net)).
- Successful completion of the 10-hour CFP® Certification Exam.
- Three-year qualifying full-time work experience.
- Successfully pass the Candidate Fitness Standards and background check.

**Chartered Financial Analyst (CFA):** Chartered Financial Analysts are licensed by the CFA Institute to use the CFA mark. CFA certification requirements:

- Hold a bachelor's degree from an accredited institution or have equivalent education or work experience.
- Successful completion of all three exam levels of the CFA Program.
- Have 48 months of acceptable professional work experience in the investment decision-making process.
- Fulfill society requirements, which vary by society. Unless you are upgrading from affiliate membership, all societies require two sponsor statements as part of each application; these are submitted online by your sponsors.
- Agree to adhere to and sign the Member's Agreement, a Professional Conduct Statement, and any additional documentation requested by CFA Institute.

**RANDY L. MEADOWS, PRESIDENT & CEO (b. 1960)****Education**

- Arizona State University, 1983;
- Kansas State University, 1982 to 1983;
- Oral Roberts University, 1981 to 1982;
- Kansas State University, 1980 to 1981;
- Seward Community College, 1980;
- FINRA Series Licenses Held: 6, 7, 24, 26, 63, 65 and 99;
- Insurance License Held.

**Business Experience**

- SCF Investment Advisors, Inc., Founder, President & CEO, 2002 to Present;
- SCF Securities, Inc., Founder, President & CEO, 1998 to Present;
- Wall Street Financial Group, OSJ Branch Manager, 1998 to 1999;
- Centaurus Financial, Inc., OSJ Branch Manager & Owner, 1994 to 1997;
- Federation of Financial Services, Inc., President, 1994 to 1997;
- SCF Marketing, Inc., Founder, President & CEO, 1992 to Present;
- Series 26 Principal, initially registered in 1988;
- Series 6 Registered Representative, initially registered in 1985.

**Disciplinary Information**

- No legal or disciplinary events to report.

**Other Business Activities**

- SCF Securities, Inc.
  - SCF Marketing, Inc.
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**DAVID HASKIN, EXECUTIVE VICE PRESIDENT (b. 1955)****Education**

- California State University, Fresno, 1980 to 1982;
- Central California College of Law, 1990 to 1992;
- Kings River College, 1977 to 1979;
- FINRA Series Licenses Held: 6, 7, 24, 26, 65 and 99;
- Insurance License Held.

**Business Experience**

- SCF Investment Advisors, Inc., Executive Vice President, 2000 to Present;
- SCF Securities, Inc., Executive Vice President, 2000 to Present;
- Wall Street Financial Group, OSJ Branch Manager, 1998 to 1999;
- Brokerage Design and Development, Inc., OSJ Branch Manager, 1996 to 1997;
- Centaurus Financial, Inc., Series 26 Registered Principal, 1995 to 1997;
- SCF Marketing, Inc., Agency Support & Executive Vice President, 1992 to Present;
- Series 6 registered representative, initially registered in 1983;
- Entered financial services industry as Insurance Agent, 1982.

**Disciplinary Information**

- No legal or disciplinary events to report.

**Other Business Activities**

- SCF Securities, Inc.
  - SCF Marketing, Inc.
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**RICARDO ALMAGUER, CHIEF COMPLIANCE OFFICER (b. 1959)**

**Education**

- National University, 1984 to 1987;
- 4C's College, Accounting Degree, 1984 to 1987;
- FINRA Series Licenses Held: 7, 24, 53, 63, 65 and 99;
- Insurance License Held.

**Business Experience**

- SCF Investment Advisors, Inc., Chief Compliance Officer, 2002 to Present;
- SCF Securities, Inc., Chief Compliance Officer, 2002 to Present;
- SCF Marketing, Inc., Life Agent & Chief Compliance Officer, 1996 to Present;
- Bucheim Funeral Home, Sales Manager & Life Insurance Sales, 1995 to 1996;
- New York Life, Life Agent, 1995 to 1995;
- Baraban Securities, Inc., General Securities Representative, 1994 to 1995;

**Disciplinary Information**

- No legal or disciplinary events to report.

**Other Business Activities**

- SCF Securities, Inc.
- SCF Marketing, Inc.

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**ALAN CARLISLE, EXECUTIVE VICE PRESIDENT – CHIEF RISK OFFICER(b. 1974)**

**Education**

- Certificate in Investment Performance Measurement (CIPM<sup>®</sup>) Certificate Holder
- Lincoln Law School, Post Grad Law, 2010;
- USGBC, Sustainable Commercial Development and Maintenance, 2010 to 2011, LEED AP BD+C and LEED AP O+M Designation Obtained;
- CCIM Institute, CRE Market, User/Investor Decision and Cash Flow Analysis, 2009 to 2010, CCIM Designation Obtained;
- America's Training Center, 2005, California Life Agent and Variable Annuities License Obtained;
- Anthony Schools, 2007 to 2008, California Real Estate Broker's License Obtained;
- Investment Training Institute, 2005 to Present;
- FINRA Series Licenses Held: 3, 4, 7, 9, 10, 24, 27, 53, 55, 63, 65, 79 and 99;
- Insurance License Held.

**Business Experience**

- SCF Investment Advisors, Chief Investment Officer, Investment Advisor Representative, 2013 to Present;
- SCF Investment Securities, Chief Investment Officer, Registered Representative, 2013 to Present;
- VFG Advisors, Chief Compliance Officer, Investment Advisor Representative, 2013 to 2013;
- VFG Securities, Chief Compliance Officer, Registered Representative, 2013 to 2013;
- SCF Investment Advisors, Chief Investment Officer, Investment Advisor Representative, 2012 to 2013;
- SCF Investment Securities, Chief Investment Officer, Registered Representative, 2012 to 2013;
- Hanson McClain Strategic Advisors, Vice-President, Investment Advisor Representative, 2011 to 2012;
- Hanson McClain, Inc., doing business as Hanson McClain Advisors, Investment Advisor Representative, 2011 to 2012;
- Hanson McClain Retirement Network, Inc., doing business as Hanson McClain, Director of Supervision, Registered Representative, 2011 to 2012;
- Charter Pacific Real Estate, Owner and President, 2008 to Present;
- Securities America, Inc., Deputy Director of Supervision, 2010 to 2011;
- SCF Securities, Inc., President and COO, 2009 to 2010;
- Charter Pacific Securities, LLC, Owner and President, 2007 to 2008;
- Carlisle and Associates Consulting, Owner and President, 1998 to 2008.

**Disciplinary Information**

- No legal or disciplinary events to report.

**Other Business Activities**

- SCF Securities, Inc.
  - SCF Marketing, Inc.
  - AMC Investments, LLC
  - American Commercial Real Estate
  - Charter Pacific Real Estate
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**RANDY L. MEADOWS JR., CHIEF FINANCIAL OFFICER (b. 1987)****Education**

- Azusa Pacific University, MBA, 2009 to 2010;
- Azusa Pacific University, Bachelor of Science in Marketing, 2005 to 2008;
- FINRA Series Licenses Held: 7, 27 and 99.

**Business Experience**

- SCF Investment Advisors, Inc., Chief Financial Officer, 2013 to Present;
- SCF Securities, Inc., Chief Financial Officer, 2013 to Present;
- SCF Investment Advisors, Inc., Finance & Operations Specialist, 2011 to 2013;
- SCF Securities, Inc., Finance & Operations Specialist, 2011 to 2013;
- SCF Investment Advisors, Inc., Marketing Specialist, 2010 to 2011;
- SCF Securities, Inc., Marketing Specialist, 2010 to 2011.

**Disciplinary Information**

- No legal or disciplinary events to report.

**Other Business Activities**

- SCF Securities, Inc.
- SCF Marketing, Inc.