



# Security Capital Management

[www.hazlettburt.com](http://www.hazlettburt.com)

## Wrap Fee Program Brochure

(Part 2A of Form ADV)

*This wrap fee program brochure provides information about the qualifications and business practices of Security Capital Management (SCM). If you have any questions about the contents of this brochure, please contact Compliance at: (304) 233-3312. 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. Registration does not imply a certain level of skill or training.*

*Additional information about SCM is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)*

March 26, 2024

### Security Capital Management

A Division of Hazlett, Burt & Watson, Inc.

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## **Material Changes**

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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.

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### **Material Changes since the Last Update**

This section identifies and discusses material changes to the ADV Brochure since the version of this Brochure dated March 29, 2023. For more details on any particular matter, please see related changes in this ADV Brochure referred to in the summary below.

There are no material changes in this brochure from the last amendment of Security Capital Management dated March 29, 2023.

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### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (800) 537-8985

# Table of Contents

<b>Material Changes.....</b>	<b>i</b>
Annual Update .....	i
Material Changes since the Last Update.....	i
Full Brochure Available .....	ii
<b>Services, Fees and Compensation.....</b>	<b>1</b>
<b>Account Requirements and Types of Clients .....</b>	<b>3</b>
<b>Portfolio Manager Selection and Evaluation .....</b>	<b>3</b>
<b>Client Information Provided to Portfolio Managers .....</b>	<b>4</b>
<b>Client Contact with Portfolio Managers.....</b>	<b>4</b>
<b>Additional Information .....</b>	<b>5</b>
Legal and Disciplinary Information .....	5
Other Financial Industry Activities and Affiliations .....	5
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	6
Review of Accounts .....	6
Client Referrals and Other Compensation .....	7
Financial Information .....	8

## Services, Fees and Compensation

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Security Capital Management (SCM) is a Division of Hazlett Burt & Watson, Inc (Hazlett or HBW), and is an investment adviser registered with the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940. HBW is also a broker-dealer registered with the SEC under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC).

SCM provides personalized confidential financial planning and investment management to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses. All Advisors and sub-advisors of SCM must be registered as investment advisors with the SEC or with appropriate state authorities.

SCM sponsors a number of wrap fee advisory programs that are designed to help you meet your investment objectives and goals. They include our MAS Separately Managed Account Program, MAS Advisor-Directed Unified Managed Account Program, MAS Model Management (Rep as Manager), MAS Strategic Advisers Portfolio Program and our Direct Managed Advisory Program. This Disclosure Document is being provided pursuant to Section 204 of the Investment Advisers Act of 1940 and deals solely with our Direct Managed Advisory Program. Descriptions of the services and fees for our MAS Separately Managed Account Program, MAS Advisor-Directed Unified Managed Account Program, and our MAS Strategic Advisers Portfolio Program can be found in a separate disclosure document, copies of which can be obtained from your Financial Advisor, or by calling (800) 537-8985.

Under SCM's wrap fee programs, the Client and SCM compile relevant personal financial and demographic information to develop an investment plan designed to meet the Client's goals and objectives. Investment management services are provided on a discretionary or non-discretionary basis. Investment strategies primarily focus on common and preferred stocks, U.S. Government agency bonds, mortgage backed and municipal bonds, open-end mutual funds, publicly traded closed-end mutual funds, and other investment opportunities deemed appropriate and suitable in light of the Client's circumstances and investment objectives. SCM offers these services based on a percentage of assets under management, which fees will be assessed on the market value of securities and cash held in the account on the last business day of the calendar quarter, and shall be paid quarterly in arrears during the 1<sup>st</sup> month of each calendar quarter. All management fee arrangements are subject to negotiation.

Under SCM's Advantage Account, HBW is appointed by the Client as the sole and exclusive broker with respect to the account for acquiring asset custody and trading executions. Wrap Fees are determined based on the size of the pool of managed assets and are generally computed as the combination of Management and Platform Fees as follows:

### **Management Fee**

<u>Account Size</u>	<u>Fee</u>	<u>Account Size</u>	<u>Fee</u>
Up to \$500,000	1.75%	\$2,500,001-\$5,000,000	1.15%
\$500,001-\$1,000,000	1.50%	\$5,000,001-\$10,000,000	0.95%
\$1,000,001-\$2,500,000	1.35%	\$10,000,000 and above	0.75%

### **Platform Fee**

<u>Account Size</u>	<u>Fee</u>	<u>Account Size</u>	<u>Fee</u>
Up to \$250,000	0.120%	\$1,000,001 - \$2,000,000	0.030%
\$250,001 - \$500,000	0.080%	\$2,000,001 - \$5,000,000	0.015%
\$500,001 - \$1,000,000	0.040%	\$5,000,001 and above	0.010%

A minimum \$100.00 annual Platform Fee will be incurred on each Advantage Account. The Platform Fee is intended to defray SCM's operating costs related to the wrap program, but does not include commissions, clearing or execution costs.

When HBW is appointed as broker, relevant factors considered by SCM and the Client are the execution capabilities, third-party research, and other services, as well as the value of an ongoing relationship provided by HBW (and its clearing provider), which is expected to enhance the general portfolio management relationship with SCM. Certain services provided by HBW, including clearing and execution, securities and money movement, tax reporting, custody and provision of brokerage statements, may be provided through third parties, which may include National Financial Services (NFS).

Clients may seek to arrange for custodial and other brokerage services away from SCM and HBW, and will be designated by the Client in writing. Under these arrangements, the Client will instruct their provider to provide SCM with such periodic reports concerning the status of the account as SCM may reasonably request from time to time.

Notwithstanding any applicable Wrap Fees based on the size of the Client's pool of managed assets, Client may incur fees for portfolio transactions executed away from HBW, electronic fund and wire transfers, spreads paid to market-makers, dealer mark-ups, exchange fees, custody

charges for un-listed assets, as well as other brokerage/custodian fees, which shall be disclosed separately. If you execute a margin agreement with our clearing provider, you will be provided with a Disclosure of Credit Terms associated with this arrangement. When you maintain a margin balance, the clearing provider pays Hazlett a portion of the interest you are charged, ranging from 2.25% to 3.75% depending on the margin balance carried.

Clients may be able to purchase services similar to those offered under the wrap fee program from other service providers either separately or as part of a similar wrap program. These services or programs may cost more or less than the services offered by SCM, depending on the fees charged by such other service providers and the trading activity in the Client's account.

SCM's Advisors receive compensation as a result of a Client's participation in Program accounts for providing portfolio management services. This compensation generally ranges from 38% to 62% of the total management fees charged to Clients. Such compensation may be more or less than what the Advisor would receive if the Client paid separately for investment advice, brokerage, and other services. Therefore, the Advisor may have a financial incentive to recommend participation in Program accounts over other programs and services.

Clients are advised that they should promptly notify SCM of any material change in their financial situation and/or investment objectives.

## **Account Requirements and Types of Clients**

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The wrap fee program is designed to provide personalized financial planning and investment management to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses. Under SCM's wrap fee programs, the Client and SCM compile relevant personal financial and demographic information to develop an investment plan designed to meet the Client's goals and objectives. Clients approved for an account must maintain a securities brokerage and custody account with Hazlett, Burt & Watson (the wrap fee broker), unless alternative custody arrangements are agreed upon in advance. It is the general policy of SCM that investment management accounts maintained for its Clients have a minimum initial equity of \$25,000 (including the consolidation of accounts within a household). SCM may, at its discretion, allow a lower limit upon review of the Client's current and anticipated needs and situation.

## **Portfolio Manager Selection and Evaluation**

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Portfolio management is provided by the individual advisors employed by SCM. Advisors are selected and reviewed by members of SCM's senior management. During these reviews, advisors are questioned about their approach to managing Client assets, past performance and objectives, as well as a review for regulatory compliance. Advisors are reviewed quarterly to ensure that they meet, and continue to meet, the requirements for providing investment advisory services, as well as compliance with SCM's written policies and procedures. SCM may replace an individual advisor for performance reasons or for noncompliance.

SCM may utilize the services of other registered investment advisors ("sub-advisor") to manage a Client's entire portfolio, or a portion thereof. All sub-advisors contracted by SCM must be registered as investment advisors with the Securities and Exchange Commission or with appropriate state authorities. After gathering information about the Client's financial situation and objectives, SCM will select one or more sub-advisors based on investment style and suitability in order to meet the Client's financial needs, investment goals, tolerance for risk, and investment objectives. Once the portfolio is constructed, SCM monitors the performance of the sub-advisor, reviews reports provided by the sub-advisor, and assists the Client in understanding and evaluating the services provided by the sub-advisor. Clients will not sign an agreement with the sub-advisor; rather the agreement is between SCM and the sub-advisor. This arrangement does not result in higher fees to the Client.

## **Client Information Provided to Portfolio Managers**

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All Client information is cross-shared between SCM and Hazlett on a continual basis. When a sub-advisor is used, SCM will provide relevant information regarding a Client's specific situation, investment objectives and other suitability considerations as such information and/or updates become available.

## **Client Contact with Portfolio Managers**

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There are generally no restrictions placed on a Client's ability to contact and consult with their portfolio managers. Clients may request to consult directly with their advisor by calling (800) 537-8985.

## Additional Information

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### Legal and Disciplinary Information

In February 2018, the Securities and Exchange Commission (“SEC”) announced the creation of the Share Class Selection Disclosure Initiative (“SCSD Initiative”). The central issue identified by the SEC was that, in many cases, investment advisers bought for, or recommended to their clients, mutual fund share classes that had distribution or service fees (commonly known as 12b-1 fees) paid out of fund assets to the advisers when lower-cost share classes were available to those clients, and the investment advisers did not adequately disclose their receipt of 12b-1 fees and/or the conflict of interest associated with the receipt of these fees. Many firms voluntarily participated in the SCSD Initiative, where these firms could consent to an Order Instituting Administrative and Cease-And-Desist Proceedings (“Order”), where without admitting or denying the SEC’s findings contained in the Order, participating firms could make payments to affected clients.<sup>1</sup> In March 2019, SCM, along with many participating firms, agreed to the Order entered by the SEC.

By voluntarily self-reporting, SCM agreed to a censure and to cease and desist from committing or causing any violations and future violations of Sections 206(2) and 207 of the Investment Advisers Act of 1940. Moreover, in the Order SCM agreed to establish a distribution fund and to deposit into that fund disgorgement of the improperly disclosed 12b-1 fees, plus prejudgment interest, for payment to affected clients. Once the calculations and distribution amounts were determined and approved by the SEC for each affected client, SCM made the distributions to affected clients and submitted to the SEC a final accounting and certification regarding the disposition of the distribution fund. More information about the Order is contained in SCM’s Form ADV, which is available on the SEC’s Investment Advisory Public Disclosure website at <https://www.adviserinfo.sec.gov/IAPD/Default.aspx> or in the SEC’s press release about the SCSD Initiative at <https://www.sec.gov/news/press-release/2019-28>.

<sup>1</sup> The term “affected clients” includes current and former SCM investment advisory clients who purchased and held in their investment advisory accounts at SCM from January 1, 2017 through June 30, 2018 (the “relevant period”) mutual fund share classes that paid 12b-1 fees that were retained by SCM. Affected clients specifically include persons who held money market mutual fund shares in advisory accounts through SCM’s core sweep program during the relevant period, subject to a *de minimis* exception.

### Other Financial Industry Activities and Affiliations

SCM has arrangements that are material to its advisory business or its Clients with a related entity, Hazlett, Burt & Watson, Inc., a registered broker/dealer (HBW). HBW, through its clearing provider, National Financial Services (NFS), provides trade, execution and custody services for SCM. HBW is also an insurance agency, and is affiliated with Security National Trust Co. (SNTC), a nationally chartered non-depository trust bank. SNTC is a wholly owned subsidiary of the parent holding company which also owns HBW.



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

SCM and its employees may not buy or sell securities recommended to Clients except in accordance with procedures intended to avoid conflicts of interest with Clients. The employees of SCM 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.

HBW may own interests in certain fixed income, equities or other investments, which may be recommended to SCM Clients. Such recommendations shall be made solely on the investment merit, and without consideration to the value of the holdings of HBW. On occasion, associated persons or employees of SCM may buy or sell securities for their own accounts that have also been recommended to Clients. Such transactions are subject to SCM's Code of Ethics.

SCM and its representatives may engage in personal securities transactions. The personal securities transactions of SCM and its representatives may raise potential conflicts of interest when such persons trade in a security that is i) owned by a Client or ii) considered for purchase or sale for a Client. SCM has adopted policies and procedures that are intended to ensure that transactions are affected for Clients in a manner that is consistent with its fiduciary duty and in accordance with applicable law. Persons who wish to purchase or sell securities of the types purchased or sold for Clients may do so only in a manner consistent with SCM policies and procedures.

## **Review of Accounts**

Account performance, Client suitability, and fiduciary responsibilities are monitored on a daily, quarterly or on an annual basis in an effort to determine that the services provided are deemed appropriate in light of the Client's financial situation and stated objectives. More frequent reviews may be prompted by changes in market conditions, or changes in a Client's investment objectives. On a periodic basis, advisors are required to contact their Clients, and maintain documentation for purposes of compliance review and analysis. All Client accounts are reconciled as to positions, performance, and transaction activity on a monthly basis.

HBW, or the Client's custodian, will provide Clients with a statement (at least quarterly) identifying the amount of funds and of each security in their account at the end of the reporting period, as well as setting forth all transactions in the account during the reporting period. SCM also generates various written reports and quarterly performance evaluations. Trade confirmations will be provided by the asset custodian. SCM will generally communicate with its Clients via letters, newsletters and other SCM generated literature.

## **Client Referrals and Other Compensation**

In those instances where mutual funds are recommended for clients, SCM will endeavor to recommend those share classes offering the lowest internal cost to the client available to SCM. Certain mutual funds (and/or their related persons), in which a Client may invest, make 12b-1 fee payments to broker/dealers. Such payments may be distributed pursuant to a 12b-1 distribution plan or pursuant to another arrangement as compensation for distribution or administrative services and may be paid out of the fund's assets, and therefore, indirectly paid by the Client. In the event SCM receives 12b-1 payments from mutual fund companies, SCM has made arrangements with its clearing and execution provider to automatically rebate these fees back to the client.

On occasion, SCM may offer securities on a principal basis to its Clients through HBW. Such offerings will not be executed without disclosing inherent conflicts of interest, such as additional compensation, or without the written consent of the Client. Any such consent may be withheld by the Client, or be revoked at any time prior to the settlement of the trade. When proprietary offerings are purchased after the opening of an SCM account, these securities may be excluded for nine to thirty six months, respectively, from the calculation of advisory fees. Such exclusions are at the discretion of SCM and are negotiable. Also, SCM may effect "cross" transactions between Clients in which one Client will purchase securities held by another Client. Such transactions are only entered into with the written authorization of both Clients, when SCM deems the transaction to be in the best interest of both Clients, and at a price that has been determined to be fair to both parties in light of prevailing market conditions.

As part of SCM's other business activities, the firm's Advisors may effect securities transactions for or sell insurance products to Clients. SCM may be receiving a fee for investment advice in advisory accounts and representatives may be receiving a separate, yet customary, commission for any transactions effected in HBW brokerage accounts. Such conflicts of interest will be disclosed in advance to the Client, at which time the Client may decline to authorize such recommendations.

HBW receives a Business Development Credit from National Financial Services (NFS) as part of HBW's clearing and custody agreement with NFS. Because of this arrangement, HBW has an incentive to direct trades to NFS, which incentives represent a conflict of interest. This arrangement has been entered into for the purposes of the efficiency of operation and the reliability of the custody and trading services NFS provides HBW clients.

SCM has been fortunate to receive many Client referrals over the years. The referrals have come 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.

From time to time, we initiate and maintain incentive programs for our financial advisors. These programs may compensate them for referring business when appropriate to our affiliate, Security National Trust Company (SNTC). The referral compensation takes the form of a payment to the financial advisor of a percentage of the normal SNTC account fees and results in no additional fees to you or other Clients.

SCM endeavors to be civic minded, and generally makes charitable contributions to various organizations within the markets we serve. Such gifting is at the will and discretion of SCM's management, and such gifting may either directly or indirectly benefit individuals who are also clients of SCM.

In addition, SCM has a referral arrangement in place with an unaffiliated Investment Banker. SCM may, when appropriate, refer an existing SCM client for investment banking services and receive compensation for such referrals. The referral compensation takes the form of a payment to the financial advisor of a percentage of the normal investment banking fees, and results in no additional fees to you or other Clients.

### **Financial Information**

SCM does not require or solicit any prepayments of advisory fees, neither does SCM have any financial impairment that will preclude the firm from meeting contractual commitments to Clients.

### **Trade Error Policy**

When an error is discovered, or brought to the attention of SCM, such errors shall be promptly brought to the attention of SCM's trading desk. Error corrections may need to be delayed for review purposes and/or consultation with the client. SCM will use its best efforts to resolve all trading errors in a timely manner. When trading errors result in a loss, the party, or client, responsible for the error shall bear the cost of the error. In those instances where a client error results in a gain, the client shall be given the option of retaining the transaction (by adding additional funds if necessary, otherwise all errors resulting in a gain, such gains are retained by SCM. The SCM Financial Advisor does not participate in any resulting gains.