



Security Capital Management

www.hazlettburt.com

Asset Management Account Brochure

(Part 2A of Form ADV)

This 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

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Security Capital Management

A Division of Hazlett, Burt & Watson, Inc.

1100 9th Street
Vienna, WV 26105
(304) 295-6700

1300 Chapline Street
Wheeling, WV 26003
(304) 233-3312

48-50 W. Chestnut St., Ste 300
Lancaster, PA 17608
(717) 397-5988

179 E. Main Street
Barnesville, OH 43713
(740) 619-0327

Material Changes

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

This section identifies and discusses material changes to the ADV Brochure since the version of this Brochure dated September 1, 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 September 1, 2023.

Full Brochure Available

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

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Services, Fees and Compensation

Security Capital Management (SCM) is a Division of Hazlett Burt & Watson, Inc (Hazlett), and is an investment adviser registered with the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940. Hazlett 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). Hazlett has been in the securities business for over 100 years.

SCM is a wholly owned subsidiary of HB&W, Inc., a privately owned holding company, with no individuals owning 25% or more of the company.

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's Asset Management Account program provides investment advisory services including non-discretionary and discretionary investment management and regular portfolio reviews. These accounts do not include custodial or brokerage services, which costs will be separate and in addition to the investment advisory services account fees.

Under SCM's Asset Management Account program, 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 1st month of each calendar quarter. All management fee arrangements are subject to negotiation. SCM generally does not permit Clients to impose restrictions on investing in certain securities or types of securities; however, SCM advisors will make every reasonable effort to manage a Client's account in accordance with their concerns and stated objectives on a case-by-case basis.

SCM does not vote proxies on behalf of its Clients. Clients will receive their proxies or other solicitations directly from their custodian or transfer agent.

The Asset Management Account program is not a wrap fee program. SCM does offer wrap fee programs that can be found in separate Brochure documents, copies of which can be obtained from your Financial Advisor, or by calling (800) 537-8985. The Asset Management Account

program may be limited in available investment alternatives based upon the custody and execution provider selected by the Client.

Client assets managed by SCM:

	<u>U.S. Dollar Amount</u>	<u>Number of Accounts</u>
Discretionary	\$466,853,537	1,142
Non-Discretionary	<u>\$491,005,697</u>	<u>1,054</u>
Total	<u>\$957,859,234</u>	<u>2,196</u>

The above figures are as of June 30, 2023

Under SCM's Asset Management Account, the Client directs brokerage services, along with asset custody and trading executions. Management fees are determined based on the size of the pool of managed assets, and are generally computed 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%

Under the Asset Management Account, the Client has arranged for custodial and other brokerage services away from SCM and Hazlett. Under these arrangements, the Client authorizes their provider to deduct management fees from Client assets, and provide SCM with such periodic reports concerning the status of the account as SCM may reasonably request from time to time.

Notwithstanding any applicable management fees based on the size of the Client's pool of managed assets, Client incurs fees for portfolio transactions executed away from Hazlett, 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.

SCM's Advisors receive compensation as a result of a Client's participation in Asset Management Accounts for providing portfolio management services. This compensation

generally ranges from 38% to 62% of the total management fees charged to Clients. Therefore, the Advisor may have a financial incentive to recommend participation in Asset Management Accounts over other programs and services.

Investment securities are not FDIC insured and are not guaranteed against loss. Clients can lose money up to and including the principal amount invested. Past performance may not be indicative of future results, and there can be no assurance that Client objectives will be achieved.

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

SCM does not charge performance-based fees.

Account Requirements and Types of Clients

The Asset Management Account 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 Asset Management Account program, 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 direct custody and execution services with a provider that is not affiliated with SCM or Hazlett in advance of account opening. 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

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

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

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

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.¹ 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. Please visit the website at <https://www.adviserinfo.sec.gov/IAPD/Default.aspx> or refer the SEC’s press release about the SCSD Initiative at <https://www.sec.gov/news/press-release/2019-28>.

1 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 (Hazlett). Hazlett, through its clearing provider, National Financial Services (NFS), provides trade, execution and custody services for SCM under separate wrap fee arrangements. Hazlett 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 Hazlett.

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.

Hazlett, and/or its affiliates, 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 Hazlett and its affiliates. 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.

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. Trade confirmations are also 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 will arrange to rebate these fees back to the Client.

On occasion, SCM may offer securities on a principal basis to its Clients through Hazlett. 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 Hazlett 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.

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. SCM does not have any soft dollar arrangements with custody and execution providers.