

# STRATEGIC CAPITAL MANAGEMENT, INC.

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180 North Glendora Avenue  
Suite 202  
Glendora, California 91741  
TEL: 909.373.2885  
FAX: 909.373.2820

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

This disclosure brochure provides clients with information about the qualifications and business practices of Strategic Capital Management, Inc. (SCM), an independent investment advisory firm registered with the United States Securities and Exchange Commission ("SEC"). It also describes the services SCM. provides as well as background information on those individuals who provide investment advisory services on behalf of SCM. Please contact James J. Davidson, President of SCM at 909.373.2885 if you have any questions about the contents of this disclosure brochure.

The information in this disclosure brochure has not been approved or verified by the SEC or by any state securities authority. Registration with the SEC does not imply that SCM. or any individual providing investment advisory services on behalf of SCM possess a certain level of skill or training. Additional information about SCM is available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for SCM is 111475.

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## **MATERIAL CHANGES**

SCM is required to amend this brochure at least annually. To receive a copy of its most recent brochure, please call the Compliance Department at (626) 650-0430 and a copy will be sent to without charge. You may also receive a copy of the most recent brochure and additional information regarding SCM, from [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) under Investment Advisor Search. In the future, this item will contain a summary of material changes to the information in this brochure. This year, the entire format and the text of this brochure have been amended from the 2010 Form ADV Part II. Because of the extensive changes to this brochure, we encourage you to read the entire brochure carefully. We are also available to answer any questions you may have.

## ADVISORY BUSINESS

Founded in 1997, Strategic Capital Management, Inc. ("SCM") is an Investment Advisor registered with the U.S. Securities and Exchange Commission. The principal owner of SCM is James J. Davidson.

### Advisory Services

SCM offers a turn-key asset-class allocation and management program and investment advisory administrative services directly to investing clients.

The following principal services are provided to (SCM) to its clients for a fee. Clients can select a comprehensive service or pick and choose from our financial planning and investment management services based on their respective needs.

**Financial Independence Plan Preparation.** This is a one-time service that includes:

*Step 1-Investment Data Gathering-* A SCM Advisor meets with clients to assist them in setting investment goals and objectives, focusing on their current and future economic needs.

*Step 2-Asset Allocation Services-* Asset allocation models are developed using the client's fact finding data in addition to focusing on the client's desired risk tolerances, asset preferences, investment objectives, expected returns and time horizons. Using computer models, SCM assists clients in evaluating different asset allocation risk return scenarios.

*Step 3- Investment Policy Statement Preparation-* SCM synthesizes all of the information obtained in the data gathering and asset allocation modeling process to develop for the client a written investment policy statement. This policy statement defines investment portfolio objectives, investment guidelines and asset allocation parameters and benchmarks for the performance monitoring and evaluation process.

**Financial Independence Plan Updates.** If a client wants an update to the Financial Independence Plan, SCM will arrange for that separately.

**Money Manager Searches.** SCM provides clients with information concerning the investment management styles and relative skill of various investment managers and mutual funds.

**Monitoring & Performance Evaluation.** SCM monitors the performance of the client's investment portfolio and considers modifications in asset allocation and manager selection.

**Management of Client Portfolios.** Securities transactions and management of client portfolios is based on fundamental research consistent with the clients objectives.

Because the investment objectives of SCM's investment management strategies and clients' investment objectives differ, SCM may take positions for certain clients' portfolios that are contrary to the positions it takes for other client's portfolios.

Clients may terminate their agreement with SCM initially within five business days and all fees paid by the client would be refunded. Thereafter, clients or SCM may terminate their agreement upon thirty days' written notice.

All Financial Independence Plan updates, money manager searches, performance monitoring evaluations, and reviews are performed by an individual meeting minimum education and experience requirements. These reviews may be conducted by the individual preparing the report or by another individual. There is no specific number of accounts assigned to each of these individuals. In addition, money manager searches and performance monitoring evaluation reports are generally provided to clients when the work is completed, but clients may negotiate with SCM for additional reports.

**Portfolio Monitoring Services.** This reporting service provides detailed performance measurement and other data relating to the individual holding in an investment portfolio. These reports are provided at least annually.

SCM has the authority to purchase or sell securities for client accounts without prior client consent if the client has given SCM discretionary authority, subject to a client's investment objectives and any guidelines or investment policy statement.

Clients are under no obligation to implement the asset allocation programs developed by SCM, and may specify alternative investments and restrictions upon opening the account or at any time thereafter. The client, either directly or through a power-of-attorney to his or her advisor, will have given pre-authorization to SCM to trade the approved mutual funds and an individual securities that may be held in the account, reasonably consistent with the asset allocation approved by the client or his or her advisor and any investment restrictions requested by them. Clients who establish SCM accounts must agree that the risks of such accounts are borne solely by the client. SCM provides a variety of services to investment advisors and their clients, including reports of account holdings, historical performance information, fee reporting and debiting, transaction data and proposed portfolios. SCM offers periodic rebalancing designed to keep portfolios consistent with the clients' desired asset allocation target amounts within SCM's usual and customer target parameters.

SCM may receive fees from the investment advisors or their clients for these additional services; and investment advisory, administration and shareholder servicing fees from other advisors.

**Strategic Portfolio Services.** SCM provides portfolio construction and strategy advice to clients either for a fee or without fees for investments. It may also provide transaction, marketing and expense assistance to such persons as part of its strategic services. Its fees may be greater or lesser than those paid by clients who receive similar services and reports. SCM may re-allow all or any part of its fees for marketing, operational or practice management assistance in connection with the offer of these services.

**Spectrum Financial Account Fund Management.** SCM offers an active investment management system through Spectrum Financial, a Registered Investment Advisor. Spectrum places clients in a specific mutual fund family or variable annuity based upon the clients available funds to invest and desired money management system. Spectrum attempts to move clients into a defensive fund usually identified as a money market or government securities fund when the Spectrum system identifies impending risk of loss. There is no guarantee that the system will always identify the appropriate time to be defensive. Due to the active management of these accounts the total fees for the program may be more or less than “buy & hold” managers or funds. While Spectrum has shown a history of positive performance that some clients believe is worth these additional fees, past performance cannot guarantee future performance.

**Schwab Institutional Custodial Accounts.** SCM often recommends to clients that they use the execution and custodial services of Schwab. SCM has arranged for clients who use Schwab’s execution and custodial services to pay an annual fee for these services of 20 basis points times the market value of assets held at Schwab on a monthly basis. Because clients may be charged a commission on certain transactions done away from Schwab, SCM directs most of its clients’ transactions to Schwab. In evaluating this fee arrangement with Schwab, a client should recognize that SCM is not negotiating this fee individually for any client. Also, a client should consider that depending upon the amount of portfolio activity in the client’s account and the value of custodial and execution services, the single fee charged by Schwab may be higher or lower than the total cost of these services if the client were to pay for each service separately. In addition, other broker and dealers may charge lower fees for the same services.

SCM also recommends clients use Schwab as their broker and custodian because of the services it offers portfolio managers free of charge in exchange for charges or fees earned on SCM client transactions. SCM is able to “download” account information daily, thus allowing SCM to keep current with the status of each account. Schwab also provides specialized departments to exclusively transact portfolio managers’ accounts to ensure timelines and accuracy. Clients do not pay transaction fees to Schwab for the purchase of some “no-load” funds. As a result of receiving these various services, SCM may offset costs it would otherwise incur itself. SCM therefore has an incentive to recommend Schwab. Schwab also provides the clients with consolidated statements.

**Financial Planning.** SCM provides separate financial planning services through SCM's Advisor Representatives who may also be registered representatives of Titan Securities, Inc. ("Titan"), for clients who may not wish to receive ongoing investment management services (see Titan Securities).

As of June 30, 2011, SCM managed total assets of \$53 million for clients. All funds are managed as non-discretionary accounts pursuant to instructions received from the client.

## **FEES AND COMPENSATION**

**Asset Administration.** SCM charges fees for the administration of client accounts based upon the value of assets held in the custodial accounts. These fees are generally negotiated by the client's advisor based upon a percentage of the market value of assets under management. The Non-Discretionary and Market Timing Management Fees range from 0.60% to 1.90% with the average typically charged at 1.00%. Discretionary fees can range 0.50% more than the base fees.

SCM Charges \$ 500 to \$ 5,000 to produce an individual Financial Independence Plan based on the complexity and scope of the report requested by the client. Updates to the report are provided at a base hourly rate of \$ 200 per hour. Where possible and upon the clients request an estimate of the time required to produce the update and revise the report will be offered at no charge before work begins.

Money Manager searches are provided as a service by asset class and type of desired investment. For Mutual Fund searches the fee is \$ 500 per fund identified as suitable for the client based on the client's financial objectives. Separate Account Manager searches require a higher fee of \$ 2,000 per manager whether they have been pre-screened by SCM or result from a customized search requested by the client.

Clients can request specific Performance Measurement studies for Mutual Funds and Separate Account Managers in their portfolios. Mutual Fund Performance Summaries are charged \$ 500 per report with Separate Account Managers incurring a \$ 1,000 to \$ 2,000 fee depending on whether they approved by one of SCM's existing custodians or must be maintained at a specialized firm.

Please see **Brokerage Practice** and **Client Referrals and Other Compensation** for a description of other forms of compensation SCM and/or its representative's may earn in the ordinary course of business.

SCM fees are paid quarterly in advance, with the exception of Manager Search fees, which are paid upon completion of the work. Clients should be aware that lower advisory fees for comparable services may be available from other investment advisors. Some clients may be under historically different fee schedules.

SCM uses the services provided by Schwab Institutional (“Schwab”) as a custodian for client assets. SCM does not receive compensation from Schwab for its services as custodian. Schwab charges transaction fees or asset based pricing fees for its services as broker and custodian for client accounts. Schwab’s charges are outlined in Schwab Institutional agreements with clients executed at the time the account is established.

SCM uses the services of Asset Mark as a third party investment program. When Asset Mark is used as a strategy, TD Ameritrade is used as the custodian for these accounts. The Asset Mark Mutual Funds are not available on the Schwab platform.

Clients may provide written authorization to the custodian of their accounts to pay SCM’s fees from the client’s account. Under these circumstances, SCM will send to the client and the custodian at approximately the same time, a bill showing the amount of the fee, the value of the client’s assets on which the fee was based, and the specific manner in which the fee was calculated. The custodian will send the client a statement, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid directly to SCM. SCM does not and will not have custody of the client’s funds or securities.

Subsequent quarterly fees are computed based upon the market value of assets in the account as of a date on or about the last business day of the prior calendar quarter and deducted quarterly in advance from the client’s account. Additional deposits of funds and/or any other securities into the client’s account will be subject to the same fees, prorated based on the number of days remaining in the quarter.

The date of the determination of the fee and the specific fees are disclosed in a fee disclosure statement given to each client upon the opening of the account. Upon termination of the advisory agreement, the client will receive a refund of any unearned administration fees previously paid or will receive a statement requiring payment of earned fees not yet paid, depending on the work performed by SCM prior to termination.

**Strategic Services.** Institutional managers may pay SCM a portion of the fees they collect for providing investment services. Such fees may be up to 1% of the amount of assets invested.

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

SCM does not charge fees based upon a share of capital gains or the amount of capital appreciation of the assets of our clients.

#### **TYPES OF CLIENTS**

SCM provides its services to individuals, trusts, charitable institutions, investment companies, corporate and association pension plans and other tax qualified plans and their



investment advisors. Generally, the minimum amount of an account or family of accounts is \$100,000, subject to negotiation.

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

SCM utilizes investment strategies based upon target asset-class allocations to reflect client and advisor supplied information regarding the client's individual financial circumstances, expressed cash needs, risk tolerance and investment objectives. The asset-class allocation programs designate specified percentages within multiple securities asset-classes with the intent of creating a diversified investment portfolio of no-load (no sales commission) or low-load mutual funds. The client or his or her Advisory Representative has the opportunity to review and approve such recommended asset allocation program.

Investment advice may be offered on any investments held by a client at the start of the advisory relationship. Recommendations for new investments will typically be limited to domestic and foreign equity securities, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal and United States government securities, mutual funds, variable annuities, futures and various limited partnerships investing in real estate and oil and gas.

SCM utilizes a proprietary method of asset-class allocation based upon academic and behavioral economic studies. SCM's asset-class allocation programs and advice concerning securities is based upon publicly available research and reports regarding Efficient Markets Theory adjusted for certain behavioral economic factors. The asset-class allocations are adjusted for risk (defined as historic market volatility over identified periods of time). Its recommendations are designed for longer-term investors. SCM uses financial simulation programs which calculate the effects of various historical rates of return from different asset-classes to assist in the preparation of asset allocation plans.

All investments are subject to risk. SCM portfolios attempt to historically quantify risks and minimize certain risks by diversification among different types of asset classes. There is no assurance that SCM will be successful and the clients are advised that they are subject to the risk of the securities markets. These risks include general market trends, unintended concentrations in certain markets, sectors and individual issuers, government regulation and lack of sufficient market liquidity. Fixed income investments are subject to interest rate risks and volatility of market prices. Real estate securities are subject to property value changes, rental income, property taxes and tax and regulatory changes. Foreign securities are subject to the same risks as discussed herein and subject to the risks of currency exchange rate changes.

Should material life events occur, you should immediately contact your investment advisor to determine if changes to your account and the allocation of the assets held in the account are necessary. Such events include marriage, the birth of children, occupational changes, a

death in the immediate family or any other event that may impact your financial future or risk tolerance.

Should the client or their Advisory Representative direct the purchase of other securities, such assets are not managed by SCM and SCM does not collect an investment advisory fee on such assets.

#### **DISCIPLINARY INFORMATION**

SCM has not been a party to any material legal or disciplinary proceedings.

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

SCM is affiliated with Titan and with certain other non-investment and advisory subsidiaries (see Advisory Business, above). Titan is a full-disclosed introducing securities broker-dealer utilizing Pershing LLC as its correspondent clearing firm and a member firm of Financial Industry Regulatory Authority ("FINRA") and Securities Investor Protection Corporation ("SIPC").

SCM may recommend Titan to act as an introducing broker for advisory accounts of SCM or a third-party advisor, subject to client direction. If designated as an introducing broker on client accounts of SCM, pursuant to agreements between Titan and the clearing brokers or banks holding those accounts, Titan may receive a part of the transaction charges for trades in such accounts. Titan currently has such an agreement with its clearing firm, Pershing LLC, and receives a portion of the "transaction charge" for trades in Titan accounts held at Pershing LLC.

Some representatives of SCM may also be licensed real estate and insurance brokers or salespersons, and represent clients in insurance and real estate transactions on a commission or fee basis.

SCM receives income from other affiliated entities or divisions of SCM based upon assets under management and/or services rendered. Certain of these fees result from the sale of the affiliate or division and will continue for years. SCM may provide consulting and advisory services to such entities that may be in competition with the services provided to clients of SCM, and such services may be provided at a lower cost or be more extensive services at the same cost as those provided to SCM clients.

#### **CODE OF ETHICS**

SCM has adopted a Code of Ethics for all supervised persons of the firm describing its standard of business conduct, and fiduciary duty to its clients. All supervised persons at

SCM must acknowledge the terms of the Code of Ethics annually, or more frequently if amended. SCM has adopted Titan Securities Code of Ethics.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of SCM will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions, while at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of SCM's clients. Employee trading is monitored for compliance with the Code of Ethics, and to reasonably prevent conflicts of interest between SCM and its clients. SCM anticipates that it may recommend the purchase or sale of securities to investment advisory clients or prospective clients in which SCM, its affiliates, the Trust and/or clients, directly or indirectly, have a position or interest. It is the policy of SCM that its associated persons shall place the interests of clients first. All personal securities transactions of such persons shall be conducted in a manner as to avoid any actual or potential conflicts of interest or any abuse of a position of trust and responsibility or operate as a deceit; and SCM must use reasonable diligence and institute procedures reasonably necessary to prevent violations of its Code.

SCM and SCM's officers, employees and associated persons may purchase or sell for their own accounts, securities recommended for purchase or sale by clients and may receive a more favorable price than a client receives for the same transaction at the same time. Moreover, SCM officers, employees and associated persons may take contrary positions in securities to those recommended to clients. SCM does not have any restrictions on these transactions of its officers, employees and related persons. Clients and prospective clients may request a copy of SCM's Code of Ethics by James J. Davidson, President of SCM, at 909.373.2885.

## **BROKERAGE PRACTICE**

### **Broker Selection**

If the client does not already have a broker-dealer to use as a custodian, SCM may suggest that a client designate a custodian from among Pershing LLC, Titan's clearing firm or from Fidelity Brokerage Services LLC, Charles Schwab & Company, Inc., TD Ameritrade, or other unaffiliated custodians.

### **Best Execution**

Best execution has been defined by the SEC as the "execution of securities transactions for clients in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances." The best execution responsibility applies to the circumstances of each particular transaction and an investment adviser must consider the

full range and quality of a broker-dealer's services, including, among other things, execution capability, commission rates, the value of any research, financial responsibility and responsiveness.

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 broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while SCM will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

If the client requests SCM to arrange for the execution of securities brokerage transactions for the client's account, SCM shall direct such transactions through broker-dealers that SCM reasonably believes will provide best execution. SCM shall periodically and systematically review its policies and procedures regarding recommending broker-dealers to its client in light of its duty to obtain best execution.

#### Broker Analysis

SCM evaluates a wide range of criteria in seeking the most favorable price and market for the execution of transactions. These include the broker-dealer's trading costs, efficiency of execution and error resolution, financial strength and stability, capability, positioning and distribution capabilities, information in regard to the availability of securities, trading patterns, statistical or factual information, opinion pertaining to trading and prior performance in serving SCM.

Also in consideration is such broker-dealers' provision or payment of the costs of research and other investment management-related services (the provisional payment of such costs by brokers are referred to as payment made by "soft dollars", as further discussed in the "Research/Soft Dollars Benefits" section immediately below). Accordingly, if SCM determines in good faith that the amount of trading costs charged by a broker-dealer is reasonable in relation to the value of the brokerage and research or investment management-related services provided by such broker, the client may pay trading costs to such broker in an amount greater than the amount another broker might charge.

SCM's Portfolio Managers are responsible for continuously monitoring and evaluation the performance and execution capabilities of brokers that transact orders for our client accounts to ensure consistent quality executions. In addition, SCM periodically reviews its transaction costs in light of current market circumstances and other relevant information.

#### **Research/Soft Dollar Benefits**

SCM may recommend that clients establish brokerage accounts with certain registered broker-dealers to maintain custody of clients' assets and to effect trades for their accounts.

Any such broker-dealer is not affiliated with SCM. These broker-dealers may provide SCM with access to its institutional trading and operations services, which are typically not available to retail investors. These services may include research, brokerage, custody, and 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.

These broker-dealers may also make available to SCM other products and services that benefit SCM but may not benefit its clients' accounts. Some of these other products and services assist SCM in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of SCM's fees from its clients' accounts, and assist with back-office support, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of SCM's accounts, including accounts not maintained at the specific broker-dealer that is offering this particular service. These broker-dealers also provide SCM with other services intended to help SCM manage and further develop its business enterprise. These services may include consulting, publications, conferences and presentations on practice management, information technology, business succession, regulatory compliance, and marketing.

In addition, these broker-dealers may make available, arrange and/or pay for these types of services to SCM by independent third parties. These broker-dealers may discount or waive fees it 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 SCM. While as a fiduciary SCM endeavors to act in its clients' best interests, SCM's recommendation that clients maintain their assets in accounts with these broker-dealers may be based in part on the benefit to SCM of the availability of some of the foregoing products and services and not solely on the nature cost or quality of custody and brokerage provided by these broker-dealers which may create a conflict of interest.

## **Directed Brokerage**

### Company Directed Brokerage

While clients may execute transactions through any broker of their choice, SCM may recommend any one of several brokers, including Pershing LLC, Titan's clearing firm or from Fidelity Brokerage Services LLC, Charles Schwab & Company, Inc., TD Ameritrade, or other unaffiliated custodians. SCM does not participate in any transaction fees or commissions paid to the broker dealer or custodian and does not receive any fees or commissions for the opening or maintenance of client accounts at recommended brokers.

While there is no direct linkage between the investment advice given and usage of these brokers, economic benefits are received which would not be received if the Company did not

give investment advice to clients (please see additional disclosures in the “Research/Soft Dollars Benefits” section directly above).

Not all investment advisers require their clients to direct brokerage. SCM is required to disclose that by directing brokerage, SCM may not be able to achieve most favorable execution of client transactions and this practice may cost clients more money.

#### Client Directed Brokerage

Certain clients may direct SCM to use particular brokers for executing transactions in their accounts. With regard to client directed brokerage, SCM is required to disclose that SCM may be unable to negotiate commissions, block or batch orders or otherwise achieve the benefits described above, including best execution. Directed brokerage commission rates may be higher than the rates SCM might pay for transactions in non-directed accounts. Therefore, directing brokerage may cost clients more money. SCM reserves the right to decline acceptance of any client account that directs the use of a broker dealer if SCM believes that the broker dealer would adversely affect SCM’s fiduciary duty to the client and/or ability to effectively service the client portfolio.

As a general rule, SCM encourages each client to compare the possible costs or disadvantages of directed brokerage against the value of custodial or other services provided by the broker to the client in exchange for the directed brokerage designation.

#### **Trade Errors**

SCM will reimburse accounts for losses resulting from errors in its administration, but does not credit accounts for market losses or its errors resulting in market gains. The gains and losses are reconciled within a SCM firm custodian account and the net gains or losses are retained by SCM.

#### **REVIEW OF ACCOUNTS**

SCM recommends to the Client a target asset-class allocation portfolio for a client, and the mutual funds to implement the asset-class allocation by calculating historical rates of return, investment time horizons and risk tolerances for an investor’s expressed financial goals. Periodically SCM reviews the investment portfolio and repositions assets to bring them closer to their target allocations, unless the client or his or her Advisor has requested otherwise. More frequent re-allocations may occur when investors give instructions to change their target allocations or make significant additions to or withdrawals from their accounts. SCM Client Advisor determines the portfolio recommendation policy, the approximate allocation percentages for each level of client risk (historic volatility) and the target variance tolerance band within each of the asset-class funds. At any time, including following a rebalancing to a target reallocation, the client’s account may not be the same as

the target allocation. Variations from the target allocation may exist at any time and in varying amounts.

SCM encourages Advisors whose clients have accounts with SCM to contact their clients on a periodic basis and to notify SCM of any changes to clients' instructions, address of record, risk tolerance, suitability information or investment objectives. In addition, SCM Advisor Representatives normally have contact with the client at least annually to review any changes in the client's financial situation, needs or investment objectives, as well as the suitability of the current asset allocation program developed for the client. A representative of SCM is available for the client's or Advisor's consultation during normal business hours.

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

SCM may share its compensation with solicitors from services. Additionally, SCM or Titan may receive compensation from unrelated investment companies and/or their sponsors or affiliates, for marketing or investments in their sponsored funds. This may take the form of a portion of the advisory or other related fees paid to the investment fund. For example, certain Pershing money market funds make such payments to Titan based upon investments by Titan clients.

#### **CUSTODY**

SCM does not take direct custody of client assets, but does have the ability to withdraw or direct the payment of advisory and account trading fees and expenses. Such fees are reflected on the statement you will receive from SCM and from the broker-dealer, bank, or other qualified custodian that holds your investment assets.

You should receive account statements from your custodian at least once each calendar quarter. SCM urges you to carefully review such statements and compare the custodial statements to the SCM account statements that we provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. If you identify differences, please call SCM's Compliance Department toll-free so reconciliation may be made.

#### **INVESTMENT DISCRETION**

SCM generally does not exercise investment discretion for its clients' accounts. Upon agreement with the client, SCM will have received pre-approved authorization to trade identified securities held in custodial accounts within certain target allocation bands without obtaining specific client consent for each transaction, unless otherwise instructed. SCM may exercise independent judgment in connection with the timing and execution of the purchase and sale of assets according to the instructions given to SCM.

SCM may have limited discretionary authority with regard to its management of the Trust's securities. This authority would include the ability to determine the amount of the securities to be purchased or sold to meet the asset-class allocation target.

Should material life events occur, you should immediately contact your investment advisor to determine if changes to your account and the allocation of the assets held in the account are necessary. Such events include marriage, the birth of children, occupational changes, a death in the immediate family or any other event that may impact your financial future or risk tolerance.

#### **VOTING CLIENT SECURITIES**

SCM does not receive the authority to vote proxies for issuers represented in clients' accounts. Clients may contact SCM directly at the phone number or address listed on the first page of this document to obtain information or instruct SCM to vote on behalf of the client.

#### **Class Action Settlements**

Although SCM may have discretion over client accounts, it will not be responsible for handling client claims in class action lawsuits or similar settlements involving securities owned by the client. Clients will receive the paperwork for such claims directly from their account custodians. Each client should verify with their custodian or other account administrator whether such claims are being made on the client's behalf by the custodian or if the client is expected to file such claims directly. The client's Advisory Representative is available for consultation on questions regarding class action issues.

#### **FINANCIAL INFORMATION**

##### **Prepayment of Fees**

SCM is not required include a balance sheet with this disclosure brochure because SCM does not accept prepayment of fees for periods greater than 6 months.

##### **Financial Condition**

SCM does not have any adverse financial conditions to disclose.

##### **Bankruptcy**

SCM has never been the subject of a bankruptcy petition.





**KEY PERSONNEL****James J. Davidson****President & CEO****Year of Birth:** 1960

**Education:** University of Southern California, Bachelor of Science, Business 1983. American College Chartered Financial Consultant, 1985.

**Business Experience:** Mr. Davidson is the President And Chief Executive Officer of Strategic Capital Management, Inc., which he founded in 1997. He has been in the financial services business since 1981. In 1985 he received both a Chartered Life Underwriter and Chartered Financial Consultant designation from the American College. Mr. Davidson holds the FINRA Series 6, 7, 62 and 24 licenses.

**Disciplinary Information:** There are no legal or disciplinary events material to a client's or prospective clients evaluation.

**Other Business Activities:** Mr. Davidson holds a real estate brokers license and is CEO of Secure Close Real Estate and VARETI Holdings, Inc. These companies provide real estate purchase and investment services. He is also the Managing Member of the Davidson Advisory Group, LLC which helps companies raise capital for growth and expansion.

**Thomas R. Worrall****Registered Investment Advisor****Year of Birth:** 1950**Education:** Mt. San Antonio College,  
Associates in Arts, Business, 1970**Business Experience:** Mr. Worrall is a Registered Investment Advisor with Strategic Capital Management, Inc where he has provided service to clients since 2000. He has extensive background in the financial services industry with over 25 years in banking. He holds a series 66 license.**Disciplinary Information:** There are no legal or disciplinary events material to a client's or prospective clients evaluation**Other Business Activities:** Mr. Worrall is the President of Impeller Dynamics, Inc., an impeller design and manufacturing company located in Houston, TX. since 1988. Impeller Dynamics supplies pump impellers primarily to the water and oil industry.

**Albert Scudder, Jr.****Registered Investment Advisor****Year of Birth:**1957**Education:** Ohio State University, Bachelor  
Of Science, Finance, 1981 Certified Financial Planner, 1984.**Business Experience:** Mr. Scudder is a Registered Investment Advisor with Strategic Capital Management, Inc where he has provided service to clients since 2001. He has extensive background in the financial services industry including management on the investment team of George D. Bjurman & Associates, A Small Cap Fund and acting as a Financial Advisor for Citizens Trust, in Pasadena, California.**Disciplinary Information:** There are no legal or disciplinary events material to a client's or prospective clients evaluation.**Other Business Activities:** Mr. Scudder is also investment manager for Retirement Protection Group, Inc. based in Redondo Beach, California.