



## FORM ADV PART 2A

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**March 27, 2020**

**This brochure provides information about the qualifications and business practices of SC&H Financial Advisors, Inc. If you have any questions about the contents of this Brochure, please contact us at (410) 403-1500 and/or [SCHFACompliance@schgroup.com](mailto:SCHFACompliance@schgroup.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 SC&H Financial Advisors, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for SC&H Financial Advisors, Inc. is 120666.**

**Any references to SC&H Financial Advisors, Inc. as a registered investment adviser or its related persons as registered advisory representatives does not imply a certain level of skill or training.**

## Item 2 Material Changes

The purpose of this Item 2 is to disclose material changes that have been made to this Brochure since the last annual update of this Brochure on March 28, 2019.

While we do not believe that any of the changes are material, we have nonetheless summarized some of the updates to our current Form ADV Part 2A since the last brochure update, dated March 28, 2019 including:

- Item 4 (Advisory Business) includes an update to our assets under management to approximately \$506,307,228 million as of December 31, 2019.
- Item 5 (Fees and Compensation) includes updates to the hourly rates in relevant fee schedules and we have updated our disclosure relating to our standard fee schedules.
- Item 10 (Other Financial Activities and Affiliations) has been updated to include additional details regarding conflicts of interest and also our relationship with our affiliates.

We also made certain other non-material changes in these Items and other Items throughout the Form ADV.

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## Item 4 Advisory Business

SC&H Financial Advisors, Inc. (hereinafter referred to as "SC&H") is an investment advisory firm offering a variety of advisory services customized to your individual needs.

SC&H was founded in 1998. SC&H is owned by SC&H Group, Inc., our parent company. SC&H Group, Inc. is owned by the SC&H Group, Inc. Employee Stock Ownership Plan ("ESOP"), for the benefit of its employees.

Throughout our history, the objective of SC&H has been to deliver independent tax, financial planning, and investment advice to high net worth individuals and families. To meet these objectives, we have assembled a team of CPA's, CFP®'s and other financial specialists in the areas of income and estate tax planning and compliance, estate and trust administration, investment management, and holistic financial planning. Today, SC&H Financial Advisors works to meet the financial needs of SC&H Group's most sophisticated individual and family clients. SC&H offers the following advisory services.

### Financial Planning Services

SC&H will review your current financial situation and make recommendations based on your current situation, expectations, investment objectives, and investment time horizon. At the same time, your risk tolerance (or ability to live comfortably with risk in association with investments) will be taken into account. A written plan may then be presented to you, along with an outline of suggestions to improve your current financial situation, as well as suggested steps to help you work toward your investment goals.

Financial planning may cover any or all of the following areas:

- Tax planning, compliance and Consulting Services
- Retirement Planning
- Education Funding
- Budget Analysis
- Net Worth Analysis
- "Windfall" Planning
- Asset Allocation
- Estate Planning (Including Tax and Liquidity Planning)
- Special Needs Planning
- Asset Management
- Life Insurance Needs Analysis
- Business Succession Planning
- Wealth Transfer Planning
- Other areas of importance

A client's financial plan could include any or all of the areas listed above, depending on your personal situation and needs. Upon request, other areas of concern to you or for which you may seek advice will be reviewed by SC&H or outsourced to other experts for their review (only with your prior approval). The financial plan may include specific financial and investment strategies as well as specific product recommendations, including equity, fixed income and insurance products.

Plans are based on your financial situation at the time and are based on financial information disclosed by you to SC&H. You are advised that certain assumptions may be made with respect to interest and inflation rates and use of past trends and performance of the market and economy. However, past performance is in no way an indication of future performance. SC&H cannot offer any guarantees or promises that your financial goals and objectives will be met. Further, you must continue to review the plan and update the plan based upon changes in your financial situation, goals, or objectives, or changes in the economy. Should your financial situation or investment goals or objectives change, you must notify SC&H promptly of the changes. You are advised that the advice offered by SC&H may be limited and is not meant to be comprehensive. Therefore, you may need to seek the services of other professionals such as an insurance adviser, attorney and/or accountant.

You are not obligated to implement advice through SC&H or its Advisory Representatives.

### **Asset Management Services**

SC&H analyzes each client's circumstances and seeks to formulate an asset allocation strategy consistent with their long-term investment objectives, tax and other cash flow needs. From this analysis SC&H will build a diverse portfolio allocation of short-term investments, intermediate-term investments and long-term investments consistent with the client's objectives and needs.

Unless otherwise expressly requested by you, SC&H will manage the account on a discretionary basis and make changes to the allocation as deemed appropriate. SC&H will determine the securities to be purchased and sold in the account and will alter the securities holdings from time to time, without prior consultation with you. SC&H may actively trade securities and hold such holdings for periods of 30 days or less or maintain positions for longer- or shorter-term periods. Discretionary authority will be granted by you to SC&H by execution of the Asset Management agreement.

We also utilize the platform of a directly held mutual fund company, American Funds Service Company ("AFS"). Through AFS, we have access to a family of mutual funds with varying degrees of risk and investment objectives in order to create a customized and diversified portfolio for you.

If you elect to have your accounts managed on a non-discretionary basis, no changes will be made to the allocation of your account without prior consultation with you and your expressed agreement.

At least annually, we will review your portfolio to determine if it remains consistent with your goals. Such factors as life events, changes in resources and asset class returns over the course of the prior year will determine to what extent your portfolio needs to be rebalanced.

You are advised that transactions in the account, account reallocations and rebalancing may trigger a taxable event, with the exception of IRA accounts, 403(b) accounts and other qualified retirement accounts.

### **Recommendations of Third-Party Managers**

SC&H offers advisory services by referring clients to outside, or unaffiliated, third-party managers for management of all, or a portion of, a client's account(s) if SC&H believes the third-party manager's services would be suitable for the client. SC&H will assist the client in evaluating their financial

situation and determine the suitability of a third-party manager's service. SC&H will be available to answer questions the client may have regarding their account and will act as the communication conduit between the client and the manager. On an ongoing basis SC&H will monitor and review the account and periodically meet with the client to discuss the suitability of the program.

If SC&H recommends the services of another manager, you will be asked to enter into an advisory agreement with the third-party manager(s) SC&H recommends, and, as described in Item 5 of this brochure, you will be separately billed by the third-party manager(s) for asset management services rendered.

You are advised that fees for third-party managed programs may be higher or lower than if you directly obtained the services of the third-party manager or if you obtained advisory services separately. You should read the third-party manager's disclosure brochure for additional disclosure of its managed program. When you engage with a recommended third-party manager, SC&H will not directly conduct any securities transactions on your behalf or participate directly in the selection of the securities to be purchased or sold. Investment decisions are made by the third-party manager in accordance with the agreement between you and the manager.

As described in Item 14 of this brochure, SC&H acts as solicitor for other investment advisory firms and receives a portion of the advisory fees paid by clients that SC&H recommends to these firms. Please refer to Item 14 for additional information on these referral arrangements.

### **Retirement Plan Consulting Services**

SC&H offers retirement consulting services to employee benefit plans and their fiduciaries. The services are designed to assist the plan sponsor in meeting its management and fiduciary obligations to the plan under ERISA. Retirement consulting services will consist of general or specific advice, and could include any one or all of the following:

1. Platform Provider Search and Plan Set-up
2. Strategic Planning and Investment Policy Development/Review
3. Plan Review
4. Plan Fee and Cost Review
5. Acting as Third-Party Service Provider Liaison
6. Assessment of Plan Investments and Investment Options
7. Plan Participant Education and Communication
8. Investment Advice to Participants
9. Plan Benchmarking
10. Plan Conversion to New Vendor Platform
11. Assistance in Plan Merger
12. Legislative and Regulatory Updates; Plan Corrections

When SC&H performs any agreed upon service, SC&H will not be required to verify the accuracy or consistency of any information received from the company or Plan Sponsor.

SC&H will serve in a non-discretionary ERISA fiduciary capacity with respect to some but not all the

services that we provide which will be further explained in the written agreement executed with the company or plan sponsor.

### **Web-Based Portfolio Management Services**

We manage client investment portfolios on a discretionary basis. We allocate client assets among various mutual funds and/or exchange-traded funds in accordance with their stated investment objectives. We have engaged Fidelity Brokerage Services, LLC ("Fidelity") to provide our firm with access to an automated investment account platform user interface, Fidelity's eMoney's emX Select platform (or any replacement or successor platform) (the "Platform"). We will provide discretionary portfolio management services in model portfolios which are sponsored by Fidelity Brokerage Services, LLC and/or BlackRock Investment Management, LLC. The granting of discretionary authorization to our firm permits us to buy, sell, and trade in such portfolios, and to retain one or more sub-advisers to provide all or a portion of the discretionary management services with respect to your account. We will have the discretion to hire and fire any sub-advisers without your prior consent. We offer discretionary portfolio management services that are delivered to you through an automated and interactive web-based investment management system (i.e., "robo-advisory" services). The investment advice rendered under this program is tailored to meet with your individual investment needs and objectives and is delivered exclusively based upon information you submit via a web-based investment questionnaire. Your responses to the electronic investment questionnaire are used by the web-based system to determine whether the available investment programs offered are appropriate for you generally, and, if so, to select a particular investment option that fits with your unique investment profile.

After submission of the online investment questionnaire, the web-based system will select an investment option for you that employs a model investment portfolio ("model"), the underlying holdings of which have been selected by our firm. We have diversified the models available within this program across various investment styles and/or asset classes and designed them, in part, to reduce the transaction costs incurred within client accounts. While the proprietary models offered are generally designed to consider and mitigate transaction-based charges, there may be instances where transaction fees and other costs are incurred within your account. The investment and reinvestment of your assets within the program is managed on a discretionary basis by our firm, and will occur automatically in accordance with the investment model(s) you have selected via the web-based system. As the discretionary advisor to your account, our firm will automatically re-balance your holdings on a periodic basis to maintain the target asset allocation percentages within the selected models. You can change your investment allocations and/or investment strategy at any time by going online and updating your web-based information. You may incur additional transaction charges whenever the model is re-balanced including if such re-balancing is due to changes in your profile.

You may withdraw assets from your account at any time directly via the web-based portal, subject to the usual and customary securities settlement procedures. Our investment models typically rely on long-term investment strategies and asset withdrawals may therefore impair the achievement of your specific investment objectives.

If you participate in our web-based discretionary portfolio management services, you will be required to grant our firm discretionary authority to manage your account. Discretionary authorization will

allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm and/or the appropriate trading authorization forms. Clients participating in this investment program may not impose any restrictions on the management of their accounts or otherwise limit any discretionary authority granted.

In providing the portfolio management services under this program, all information will be provided through the web-based portal. Our firm will not verify any information we receive from you, or your agent(s), and we will rely on the information you provide. It is your responsibility to promptly update your account application through the web-based portal if there are ever any changes in your financial situation or investment objectives for the purpose of reallocating and/or re-balancing your account.

### **General Information**

The investment recommendations and advice offered by SC&H are not legal advice or accounting advice. You should coordinate and discuss the impact of financial advice with your attorney and/or accountant. It is necessary to inform SC&H promptly with respect to any changes in your financial situation and investment goals and objectives. Failure to notify SC&H of any such changes could result in investment recommendations not meeting your needs.

SC&H tailors the advisory services it offers to your individual needs. You may impose restrictions and/or limitations on investing in certain securities or types of securities.

You will be asked to furnish certain records and documents about your financial situation for SC&H's review. Such documents may include, but are not limited to:

- Tax returns
- W-2s, 1099s, etc.
- Information on current retirement plans
- Insurance benefits and policies
- Mortgage details
- Bank and financial statements
- Copies of wills and trusts
- Other applicable financial information required by SC&H in order to provide the investment advisory services requested.

SC&H will review the gathered documents with you and ask a series of questions to determine your expectations, investment objectives, investment time horizon and risk tolerance. A formal questionnaire may be used in conjunction with the interview process. The use of the questionnaire is at the discretion of the Advisory Representative.

If you are participating in Asset Management Services, your Advisory Representative will assist you to complete an investment policy statement (IPS). The IPS represents the current assessment of the appropriate allocation of your portfolio among various asset classes, based on your financial goals and resources.



SC&H does not participate in any wrap fee programs.

As of December 31, 2019, SC&H provides continuous management services for \$502,037,144 in client assets on a discretionary basis, and \$4,270,084 in client assets on a non-discretionary basis.

## Item 5 Fees and Compensation

### Financial Planning Services

You are advised that fees for planning services are strictly for planning services. Therefore, you will pay fees and/or commissions for additional services obtained such as asset management or products purchased such as securities or insurance. Client shall make and be fully responsible for all decisions relating to the implementation of any advice given in any recommendations and SC&H shall not be responsible for the execution of any decision made by the Client. The Client shall at all times be at liberty to follow or disregard, wholly or partially, any information, recommendation or advice given by the Adviser.

Fees are negotiable and based on services described in the schedule. Your fees will be dependent on several factors including the Advisory Representative you have selected, expected amount of time to be spent on the engagement, number of meetings, complexity of your situation, amount of research, services requested and staff resources.

Fee Type	Maximum Fee	Payable
Comprehensive Plan	\$5,000	A maximum deposit of 50% of the anticipated fee may be charged and due at the time of the Agreement. Fees may be waived or lowered if you implement all or part of the recommendations with SC&H or with your Advisory Representative.
Modular Plan	\$1,500 per module	
Hourly Fee	\$485*	Fees are payable within 30 days of receipt of an invoice. A maximum deposit of 50% of the anticipated fee may be charged and due at the time of the Agreement. Fees may be waived or lowered if you implement all or part of the recommendations with SC&H or with your Advisory Representative.

\* Directors and Principals charge hourly rates of \$485. Managers charge hourly rates of \$380-420; and Senior & Staff rates are \$245-310/hour. Gregory S. Horning, Andrew Thompson, and Robin K. Patalon are Directors. Robert Schmitt is a Principal. Christopher DeBlanc and Ryan Frank are Senior Managers. Caitlin Garner, Angelo Romano and Mark DeGroat are Managers. Jaewon Lee, Jerrin Toomey and Kellie Walter are Seniors.

### Asset Management Services

Asset Management fees will generally be collected directly from your account, provided you have given SC&H written authorization. You will be provided with an account statement reflecting the deduction of the advisory fee directly from the account custodian. If the Account does not contain sufficient funds to pay asset management fees, SC&H has limited authority to sell or redeem securities in sufficient amount to pay asset management fees.

Asset Management fees will be charged in advance of each calendar quarter. The quarterly advisory fee will be based on the value of the Account on the last business day of the prior calendar quarter. Fees for partial periods will be prorated. The initial quarterly fee will be a pro-rated portion of the fee based on the number of days remaining in the calendar quarter. The initial fee will be calculated based on the value of the portfolio upon establishment of the Account. Fees are negotiable. Adviser shall not be compensated on the basis of a share of capital gains or capital appreciation.

You may make additions to the Account or withdrawals from the Account, provided the Account continues to meet minimum account size requirements. No fee adjustments will be made for additional deposits to the account or partial withdrawals from the account during a calendar quarter. Further, no fee adjustments will be made for market appreciation or depreciation in the Account during the quarter.

Fee schedule\*

<b>Account Size</b>	<b>Maximum Annual Fee**</b>
First \$500,000	1.20%
Next \$1,500,000 or portion thereof	1.00%
Next \$3,000,000 or portion thereof	0.85%
Next \$5,000,000 or portion thereof	0.70%
Next \$15,000,000 or portion thereof	0.60%
Next \$25,000,000 or portion thereof	0.50%
Next \$50,000,000 or portion thereof	0.25%

*\* Adviser may, at its option, offer advisory services to clients at reduced fee levels. Accordingly, employees of the adviser or its affiliates receive advisory services at a reduced fee level.*

*\*\*Subject to a minimum annual fee of \$1,500.*

SC&H has discretion over the fees that it charges to its clients as well as any changes in its fee schedules. Any changes to the current fee schedule must be approved by an SC&H Director. Fees may be negotiated in light of a client's special circumstances such as asset levels, service requirements, or other factors. In some cases SC&H may agree to offer clients a fee schedule that is lower than that of other comparable clients or there may be historical fee schedules with longstanding clients that differ from those applicable to new client relationships. In addition, some accounts may have fee schedules that are higher than our standard fee schedule. SC&H also reserves the right to waive all or a portion of its management fee at any time.

If client has more than one portfolio Account under advisement, SC&H aggregates or "households" all of your advisory accounts for purposes of determining your quarterly fee. For example, if you have four managed accounts with a value as of the just completed calendar quarter of: \$101,569.40, \$55,498.46, \$675,879.50, and \$74,301.12 with a total value of \$907,248.48, you will pay a blended annual rate of approximately 1.110%. The total fee for the aggregate portfolio value will be deducted from the Account you designated in your agreement to pay the fee.

### Third-party Managed Programs

When SC&H recommends that you engage a third-party manager, as described in Item 4 above, you will be charged an advisory fee by the third-party manager, in accordance with the terms of the advisory agreement into which you have entered with the third-party manager. Additionally, you will be charged a separate advisory fee for the ongoing monitoring and review services provided by SC&H, not to exceed 0.85% per year. SC&H's fee will be calculated based on the value of assets under management with the third-party manager. Under no circumstances shall your total fee exceed 2% of assets under management (i.e. SC&H's fee and the third-party manager's fee together will be 2% or less). SC&H's fee is negotiable.

Additional information about the third-party manager's fee and calculation of the fee is disclosed in their disclosure brochure which will be provided to you by SC&H, upon request.

The advisory fees charged by third-party managers with whom SC&H has a relationship may be higher or lower than the advisory fees charged by other managers offering a similar management program.

### Retirement Plan Consulting Services

Retirement Plan Consulting fees will generally be deducted directly from the Plan account, provided SC&H has been given written authorization.

Retirement Plan Consulting fees will be charged in advance of each calendar quarter. The quarterly consulting fee will be based on either the average daily balance of the Plan Account or the value of the Plan Account on the last business day of the prior calendar quarter. Fees for partial periods will be prorated. The initial quarterly fee will be a pro-rated portion of the fee based on the number of days remaining in the calendar quarter. The initial fee will be calculated based on the value of the portfolio upon establishment of the Plan Account. Fees are negotiable and are not based on a share of capital gains upon or capital appreciation of the Plan Account.

Retirement Plan Consulting fees will be dependent on several factors including the Advisory Representative on the account, expected amount of time to be spent on the engagement, number of meetings, complexity of the Plan, amount of research, services requested and staff resources.

Fee Type	Maximum Fee	Payable
Fixed Fee	\$15,000	A maximum deposit of 50% of the anticipated fee may be charged and due at the time of the Agreement. Fees may be waived or lowered if you implement all or part of the recommendations with SC&H or with your Advisory Representative. The balance is due upon completion of the services. Alternatively, for ongoing consulting services, fees will be charged quarterly in advance or arrears of each calendar quarter as agreed between the company or plan sponsor and SC&H.
Hourly Fee	\$485*	Fees are payable within 30 days of receipt of an invoice. A maximum deposit of 50% of the anticipated fee may be charged and due at the time of the Agreement. Fees may be waived or lowered if you implement all or part of the

		recommendations with SC&H or with your Advisory Representative.
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\* *Directors and Principals charge hourly rates of \$485. Managers charge hourly rates of \$380-420; and Senior & Staff rates are \$245-310/hour. Gregory S. Horning, Andrew Thompson, and Robin K. Patalon are Directors. Robert Schmitt is a Principal. Christopher DeBlanc and Ryan Frank are Senior Managers. Caitlin Garner, Angelo Romano and Mark DeGroat are Managers. Jaewon Lee, Jerrin Toomey and Kellie Walter are Seniors.*

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

Persons providing investment advice on behalf of SC&H are licensed as independent insurance agents. These persons will earn compensation for selling insurance products, including insurance products they sell to you. Insurance compensation earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with SC&H.

### **General Fee Disclosures**

You are advised of the following:

1. In addition to the advisory fees above, you will pay fees for custodial services, account maintenance fees, transaction fees, wire fees, account closing fees (in the event an account is closed or transferred), and other fees associated with maintaining the Account that are charged by the account custodian. You will also incur transfer taxes, exchange fees, interest charges, electronic fund and wire transfer fees, or any charges, taxes or other fees mandated by any federal, state or other applicable law. Fees for advisory services may be available elsewhere at a lower cost to the client.
2. Fees paid to SC&H for advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange-traded funds. A fund's fees and expenses are described in the fund's prospectus.
3. You will pay a proportionate share of a mutual fund's management and administrative fees, sales charges and deferred sales charges as well as the mutual fund adviser's fee of any mutual fund they purchase. Such fees are not shared with SC&H and are compensation to the fund-manager. Clients should read the mutual fund prospectus. Please also refer to *Item 12 and Brokerage Practices*.
4. Variable annuity products have additional costs to the client including surrender fees if the purchase of the product results from the transfer from another variable product, costs associated with living or death benefits, administrative fees, sub-account management fees, mortality and expense fee, and bonus expenses if the product has a bonus element. All variable annuities have surrender fees if the annuity is transferred or liquidated within the surrender period. Additionally, variable products often have limitations on the number of transactions that can be conducted among the subaccounts

which could result in additional expenses. It is vital clients read and refer to the variable annuity prospectus for details on the costs of the product.

5. SC&H reserves the right to amend its fee schedule from time to time. Clients will be given not less than at least 30-days' notice of any changes to SC&H's fee schedule. Unless SC&H is contacted by the client prior to the implementation of the revised fee schedule, SC&H will deem lack of response from the client as client's acknowledgement to the revised fee schedule.
6. You have the option to purchase investment products that we recommend to you through other brokers or agents who are not affiliated with SC&H.

### **Termination Provisions**

You may terminate an Advisory Agreement within five business days of signing the Agreement without incurring any charges. You or SC&H may terminate this Agreement at any time and for any reason upon 30 days' written notice to the other party. In the event you terminate services prior to any services being performed, any advance payment shall be fully refunded. If termination occurs after services have begun, you will be charged for services rendered. SC&H will refund the client a portion of the investment advisory fees previously paid for the billing period in the event the client or SC&H terminates the client's investment advisory agreement with SC&H during such period.

SC&H calculates refunds in these circumstances by:

1. Dividing the number of days left (from the date of termination) in the period for which the client paid the fee by the total number of days in the period; and
2. Multiplying the result of the dollar amount by the pre-paid daily fee.

SC&H pays fee refunds by instructing the custodian to credit the account previously managed by SC&H for the amount of the refund or mailing a check if we are unable to credit the account. Additionally, in cases where services are terminated within the first 15 days of a calendar quarter, SC&H may choose to waive its invoice at its sole discretion.

Prorated retirement plan consulting fees will be refunded based on time spent by SC&H and multiplied by SC&H's hourly rate as determined by the Adviser.

Should you terminate services within five business days after signing the agreement with SC&H, no charges or penalties will be assessed. You will be responsible for any fees or charges incurred from third parties as a result of maintaining the account or for any securities transactions executed.

Client or SC&H may terminate the advisory relationship at any time for any reason upon written notice to the other party; the notice period differs depending on the services you choose and is set forth in each client's Agreement.

### **Web-Based Portfolio Management Services**

Our annual advisory fee for web-based portfolio management services consists of an asset-based management fee equal to 0.75% of the market value of your assets under our management, which includes the amount payable to Fidelity. This advisory fee is billed monthly in arrears based on the average daily balances of the account value on the last day of the month. The terms and conditions of this program shall be set forth in a written portfolio management agreement executed by the client and our firm. A portion of the advisory fee equal to 0.05% of the market value of the account is paid to the

sub-advisor for their services. In addition, a portion of the advisory fee equal to 0.25% of the market value of the account is paid to Fidelity for their services, subject to a minimum account fee.

Our advisory fee will be deducted directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

Our agreement for services will continue in effect until terminated by either party. You may terminate the management agreement upon written notice to our firm. You will incur a pro-rata charge for services rendered prior to the termination of the agreement, which means you will incur advisory fees only in proportion to the number of days in the calendar month during which you were a client. You have a right to terminate your agreement with our firm within 5 business days of entering into the agreement, without penalty.

Client or SC&H may terminate the advisory relationship at any time for any reason upon written notice to the other party; the notice period differs depending on the services you choose and is set forth in each client's Agreement.

SC&H's web-based portfolio management services is not subject to the minimum annual fee of \$1,500.

### **Sale of Mutual funds**

SC&H recommends mutual funds which offer various classes of shares, including shares generally designated as Class A shares or other classes that pay 12b-1 fees, and certain shares classes that do not pay 12b-1 fees. Mutual fund selection includes consideration for the client's investment objectives and time horizon. Many mutual funds offer multiple share classes, each with a different level of internal fees and expenses. SC&H makes best efforts to invest in the lowest-cost share class available to the client. Institutional shares often have lower internal costs, but not all mutual fund families offer an institutional share class. The availability of a particular Fund share class is sometimes unclear and often depends on factors such as the size of a client's investment, the client's custodian, whether the Fund's sponsor is willing to grant a waiver, and the amount of aggregate client investments in the Fund, either generally or through a particular custodian. SC&H maintains policies and procedures for the selection of mutual fund share classes and conducts periodic training with all advisors on this process.

A mutual fund may offer only classes that pay 12b-1 fees, but another similar mutual fund may be available that offers share classes that do not pay 12b-1 fees. Each fund's prospectus identifies the mutual funds that pay a 12b-1 fee. Adviser representatives no longer receive 12b-1 fees for any accounts under management with SC&H. Adviser representatives do not have an incentive to recommend or select share classes with higher expense ratios because their compensation is not affected by the share class selected. However, even though the 12b-1 fees are not paid to SC&H Advisory Representatives, this does not decrease the cost to the client.

SC&H conducts periodic reviews of client holdings in mutual fund investments to ensure the appropriateness of mutual fund share class selections. If a situation is identified where retail shares could be converted to institutional shares or the most beneficial mutual fund share class available,

SC&H will attempt to convert the client's retail shares of mutual funds to institutional shares or the most beneficial share class available if the conversion is possible and when SC&H deems it appropriate. In situations where clients have systematic investments or have frequent activity in the account, it may not be advantageous to the client to convert to institutional shares since typically institutional shares are subject to transaction fees by the account custodian. Consequently, the benefit of converting to an institutional share class would be diminished by the costs associated with trading.



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

This section is not applicable to SC&H since SC&H does not charge performance based-fees.

## Item 7 Types of Clients

SC&H's services are geared toward individuals, both high net worth (i.e. clients with a net worth of \$2,000,000) and other than high net worth, trusts, estates, pension and profit-sharing plans, and charitable organizations. SC&H generally requires a minimum amount of assets be deposited to an account for the purpose of obtaining asset management services. SC&H will generally require you to deposit a minimum of \$50,000 (cash or securities). However, under certain circumstances, SC&H may waive the minimum account size requirement and accept accounts less than \$50,000. Such circumstances may include but not be limited to: additional assets will soon be deposited or you have other accounts under management with SC&H; you have family members participating in the management service; or the portfolio is for an employee of SC&H or an affiliate or employee's immediate family. Clients are advised portfolios less than \$50,000 are not considered the most suitable for a management platform such as that offered by SC&H. Furthermore, advisory fees may be deemed excessive and asset management services more expensive compared to other options. Clients are advised that performance may suffer due to difficulties with diversifying smaller accounts and due to risk controls potentially being compromised.

This minimum account size requirement is waived for SC&H's web-based portfolio management services.

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

SC&H analyzes each client's circumstances and seeks to formulate an asset allocation strategy consistent with their investment objectives, tax and other cash flow needs. From this analysis they will build a diverse portfolio subject to market risk. SC&H will help each client to understand risks as they personally relate to their goals and investment objectives. SC&H will focus on how well their current holdings are advancing toward their personal goals and adjust your holdings when necessary. SC&H will apply well-defined growth and value investment philosophies that use a long-term perspective to increase your capital and control risk. Risk is inherent in all investing. There is no assurance that a client account will meet its investment objective.

The allocation of a client's investment portfolio will be among short-term, intermediate-term and long-term investments and asset classes. It is understood that, due to fluctuations in securities prices, investment interest and dividends, and deposits and withdrawals, the value of the various investments and asset classes will vary. You are advised that investing in securities involves risk of loss, including the potential loss of principal and any profits that have not been realized. Therefore, your participation in any of the management programs offered by SC&H will require you to be prepared to bear the risk of loss and fluctuating performance.

SC&H does not represent, warrant or imply that the services or methods of analysis used by SC&H can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to major market corrections or crashes. Past performance is no indication of future performance. No guarantees can be offered that your goals or objectives will be achieved and that you will not experience a loss in your investments or asset classes. Further, no promises or assumptions can be made that the advisory services offered by SC&H will provide a better return than other investment strategies.

SC&H primarily uses mutual funds and exchange-traded funds (ETFs). The risks with mutual funds include the costs and expenses within the fund that can impact performance, change of managers, and the fund straying from its objective. An investment in a mutual fund involves risks similar to investing directly in the companies' securities including the risk that the value of the portfolio's securities may fluctuate in accordance with the changes in the financial condition of the issuers, the value of stocks and other securities generally, and other market factors. Mutual fund fees are described in the fund's prospectus, which the custodian mails directly to the client following any purchase of a mutual fund that is new to the client's account. In addition, a prospectus is available online at each mutual fund company's Web site. At the client's request at any time SC&H will direct the client to the appropriate Web page to access the prospectus. ETFs are ownership interests in unit investment trusts, depository receipts and other pooled investment vehicles that are traded on an exchange and that hold a portfolio of securities or stocks ("underlying securities"). An investment in an ETF presents market and liquidity risks and may involve risks similar to investing directly in the underlying securities including the risk that the value of the underlying securities may fluctuate in accordance with the changes in the financial condition of the issuers, the value of stocks and other securities generally, and other market factors. ETFs trade on an auctionable market. The performance of an ETF will be reduced by transaction and other expenses, including fees paid by the ETF to service providers. The client will bear a proportionate share of the advisory fees and other expenses of such

ETF, which are in addition to the fee payable by the client to the Firm. In addition, because ETFs are listed on national stock exchanges and are traded like stocks listed on an exchange, the strategy may acquire ETF shares at a discount or premium to their NAV, and the strategy may incur greater expenses since ETFs are subject to brokerage and other trading costs.

**In addition to the above material risks, the following is a summary description of general material risks that clients should consider when establishing an account.**

**General Investment Risk.** Stocks, bonds and other equity and fixed income securities may decline in value for any one or more of several reasons. The potential reasons these securities may decline in value are almost without limit and may not be foreseeable.

#### **Market and Interest Rate Risk**

The market prices of the securities in client accounts may go up or down, sometimes rapidly or unpredictably, due to general market conditions, such as real or perceived adverse economic or political conditions, inflation, changes in interest rates or currency rates, lack of liquidity in the markets or adverse investor sentiment. Market prices of securities also may go down due to events or conditions that affect particular sectors or issuers. When market prices fall, the value of your account will decline.

#### **Business Risk**

There can be certain risks associated with investing in a particular industry or market sector. For example, these investments can have a greater risk of loss from developments that negatively affect companies in that industry or sector.

#### **Category or Style Risk**

During various periods of time, one category or style of holdings may underperform or outperform other categories or styles. For example, during certain periods of time a large cap growth fund may outperform a value strategy fund or vice versa.

#### **Performance of Underlying Managers**

We select mutual funds and ETFs in a client's portfolio based on a variety of criteria. However, we depend on the manager of such funds to select individual investments in accordance with their stated investment strategy. Should a fund manager's portfolio selection deviate from such strategy, a given investment might underperform or face enhanced risk.

#### **Foreign Investment Risk**

The Firm may invest in mutual funds or ETFs that invest in securities of foreign issuers, including issuers located in emerging market countries. These investments may involve greater risk than investments in securities of U.S. issuers. The increased risk arises from factors that include: many non-U.S. countries having securities markets that are less liquid and more volatile than U.S. securities markets; political and economic instability in some non-U.S. countries; lesser availability of issuer and market information in some non-U.S. countries; and less rigorous accounting and regulatory standards in some non-U.S. countries. Currency conversion costs and currency fluctuations could erase investment gains or add to losses.

## Item 9 Disciplinary Information

There is no reportable disciplinary information required for SC&H or its management persons that is material to your evaluation of SC&H, its business or its management persons.

## Item 10 Other Financial Industry Activities and Affiliations

SC&H Group, an accounting firm, is the parent company of SC&H. SC&H Group is the employer, benefits and payroll provider for all SC&H employees. SC&H Group and SC&H's main office locations are in Sparks, Md. SC&H Group also has office locations in Tysons Corner, VA and Ellicott City, MD. SC&H has one full time advisory employee who works in the Tysons Corner, VA office and is supervised from the Sparks, MD office. In addition, from time to time, SC&H employees may meet with clients at the Tysons Corner, VA office or the Ellicott City, MD locations if more convenient than the Sparks, MD office. There are no employees or books and records at the Ellicott City, MD location.

SC&H is under common control with the accounting firm, SC&H Tax and Advisory Services, LLC through which certain employees may provide tax planning and accounting services. See additional information on this arrangement under CPA activity below. SC&H is under common control with two other firms: 1) Stout, Causey & Horning State and Local Tax Consulting Services, LLC and 2) Stout Causey Consulting, Chartered for which employees of SC&H do not provide any services.

SC&H is also under common control with a registered broker/dealer, Stout Causey Capital Corporation ("Stout Causey"). Stout Causey has been registered as a broker/dealer for the sole purpose of completing mergers and acquisition business. No securities products are purchased and sold through Stout Causey. Stout Causey does not hold any client accounts or manage any customer funds. Employees of SC&H may refer potential clients to Stout Causey and no compensation is received for such referrals. With respect to the advisory services offered by SC&H and the business conducted by Stout Causey, there are no conflicts of interest between SC&H and Stout Causey. Stout Causey's main office is in Ellicott City, MD. From time to time, SC&H employees may meet with clients at this location if more convenient than the Sparks, MD office. There are no employees or books and records at this location. SC&H does not share supervised persons with Stout Causey and only shares office space to the extent an SC&H employee periodically uses an available meeting space for a client meeting.

SC&H is also specially licensed as an insurance agent in the state of Maryland. Therefore, persons providing investment advice on behalf of our firm may be licensed as insurance agents and maintain appointments with carriers for the sale of insurance products. These persons will earn compensation for selling insurance products, including insurance products they sell to you. Insurance compensation earned by these persons are separate from our advisory fees. See the *Fees and Compensation* section in this brochure for more information on the compensation received by insurance agents who are affiliated with our firm. SC&H employees who are also specially licensed as insurance agents may meet with clients at the Tysons Corner, VA or Ellicott City, MD locations if more convenient than the Sparks, MD office.

Certain employees of SC&H are also Certified Public Accountants (CPAs) and provide tax planning and accounting services to clients through SC&H Tax and Advisory Services, LLC. SC&H employees who are also CPAs may meet with clients at the Tysons Corner, VA or Ellicott City, MD locations if more convenient than the Sparks, MD office. The accounting services of SC&H are only recommended to advisory clients when the representative recognizes the need for such services. Advisory clients may receive a discount for tax services.

The following Advisory Representatives of SC&H are Certified Public Accountants (CPAs)<sup>1</sup> and offer accounting services. You are not obligated to participate in the accounting services.

Gregory S. Horning  
Robin K. Patalon  
Christopher DeBlanc  
Jaewon Lee

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[1] **Certified Public Accountant (CPA)** [1] CPAs are licensed and regulated by their state boards of accountancy. While state laws and regulations vary, the education, experience and testing requirements for licensure as a CPA generally include minimum college [education](#) (typically 150 credit hours with at least a baccalaureate degree and a concentration in accounting), minimum [experience](#) levels (most states require at least one year of experience providing services that involve the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, all of which must be achieved under the supervision of or verification by a CPA), and successful passage of the Uniform CPA Examination. In order to maintain a CPA license, states generally require the completion of 40 hours of continuing professional education (CPE) each year (or 80 hours over a two year period or 120 hours over a three year period). Additionally, all American Institute of Certified Public Accountants (AICPA) members[1] are required to follow a rigorous *Code of Professional Conduct* which requires that they act with integrity, objectivity, due care, competence, fully disclose any conflicts of interest (and obtain client consent if a conflict exists), maintain client confidentiality, disclose to the client any commission or referral fees, and serve the public interest when providing financial services. The vast majority of state boards of accountancy have adopted the AICPA's *Code of Professional Conduct* within their state accountancy laws or have created their own.

SC&H recommends other investment advisers (i.e. third-party managers) and will receive a portion of the fee charged to you by the investment adviser. Since SC&H has an interest in the compensation this is considered a material conflict of interest. SC&H selects third-party managers based on several criteria including cost, type of management, past history, ability to meet a need and provide a unique service. Since the fee charged to you is based on the value of your portfolio, all parties have an incentive to work toward performance goals and objectives. Consequently, if the third-party manager does not adequately manage your account and the value of your portfolio goes down, so does the third-party manager's and SC&H's compensation.

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

### **Code of Ethics**

SC&H has a fiduciary duty to you to act in your best interest and always place your interests first and foremost. SC&H takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as SC&H's policies and procedures. Further, SC&H has procedures in place reasonably designed to protect your personal, non-public information, as described in SC&H's Privacy Policy. As such, SC&H maintains a Code of Ethics for its Advisory Representatives, Access Persons, supervised persons and staff. The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, and safeguarding of material non-public information about your transactions. Further, SC&H's Code of Ethics establishes SC&H's expectation for business conduct. A copy of SC&H's Code of Ethics will be provided to you upon request.

### **Prohibition on Use of Insider Information**

SC&H has adopted policies and procedures to prevent the misuse of "insider" information (i.e. material non-public information). A copy of such policies and procedures is available to any person upon request.

Neither SC&H nor its supervised persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure. Employees of SC&H may from time to time buy or sell securities for their own accounts that are also purchased and/or sold for the accounts of clients. This has the potential to create a conflict of interest between employees of SC&H and clients. If the Firm is purchasing/selling or considering for purchase/sale any Security on behalf of a Client Account, no Access Person may effect a transaction in that Security prior to the client purchase/sale having been completed by the Firm, or until a decision has been made not to purchase/sell the Reportable Security on behalf of the Client Account. In order to address this and any other potential conflicts of interest, The Firm's Code of Ethics establishes policies and procedures relating to trading by employees. The Firm's Code of Ethics requires each access person to report a list of personal securities holdings and accounts through the submission of quarterly account statements thus enabling the monitoring of each employee's trading to ensure the activity does not conflict with the best interest of the Firm's clients.

SC&H is required to maintain a list of all securities holdings for its supervised persons and develop procedures to supervise the trading activities of supervised persons who have knowledge of your transactions and their related family accounts at least quarterly. Further, supervised persons are prohibited from trading on non-public information or sharing such information.

You have the right to decline any investment recommendation. SC&H and its supervised persons are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.



## Item 12 Brokerage Practices

### Brokerage Recommendations

SC&H recommends the custodial services of National Financial Services LLC, a registered broker-dealer who is a wholly owned subsidiary of Fidelity Global Brokerage Group, Inc. ("Fidelity") and also recommends that clients direct us to place their securities transactions through Fidelity Brokerage Services LLC, a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation.

SC&H has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides SC&H with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like SC&H in conducting business and in serving the best interests of their clients but that may benefit SC&H with certain support services that are intended to support SC&H in conducting its business and serving the best interests of its clients. As a result of receiving such platform services for no additional cost, SC&H may have an incentive to continue to use or expand the use of Fidelity's services. SC&H examined this potential conflict of interest when it chose to enter into the relationship with Fidelity and has determined that the relationship is in the best interests of SC&H's clients and satisfies its client obligations, including its duty to seek best execution. SC&H and Fidelity are not affiliates, and no broker-dealer affiliated with SC&H is involved in the relationship between SC&H and Fidelity.

For certain clients, we also recommend the custodial services of American Funds Distributors Inc., a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. American Funds Distributors Inc. supports the platform of American Funds Service Company ("AFS"). In order to participate in our portfolio management services that are offered through a non-wrap fee program, you will be required to open an account directly with AFS.

Our relationships with Fidelity and AFS may include benefits provided to our firm, including but not limited to market information and administrative services that help our firm manage your account(s). We believe that the recommended broker-dealer provides quality execution services for our clients at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by recommended broker-dealers, including the value of the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of the services recommended broker-dealers provide, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

In selecting or recommending a broker-dealer, SC&H will consider the value of research and additional brokerage products and services a broker-dealer has provided or will provide to its clients and SC&H. Because such services could be considered to provide a benefit to our firm, SC&H has a conflict of interest in directing your brokerage business.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables SC&H to obtain many no-load

mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers.

SC&H advisory fees do not include transaction costs, custodial fees, transfer taxes, exchange fees, interest charges, electronic fund and wire transfer fees, or any charges, taxes or other fees mandated by any federal, state or other applicable law or otherwise agreed to with the client.

As a registered investment adviser, SC&H has access to Fidelity's institutional platform of your account custodian. As such, SC&H will also have access to research products and services from your account custodian and/or other brokerage firm. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, although SC&H does not provide advice on commissioned-based products, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

SC&H does not have any soft dollar arrangements.

### **Web-Based Portfolio Management Services**

For participation in our web-based portfolio management services, we require that our clients use Fidelity Brokerage Services LLC ("Fidelity"), a registered broker-dealer and member of the SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Fidelity. Fidelity will hold your assets in a brokerage account and buy and sell securities when you instruct them to. While we recommend that you use Fidelity as custodian/broker, you will decide whether to do so and will open your account with Fidelity by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. If you do not wish to place your assets with Fidelity, then we cannot manage your account on the Fidelity Automated Managed Platform accessible through eMoney's emX Select platform (or any replacement or successor platform).

### **Directed Brokerage**

SC&H routinely requires that you direct our firm to execute transactions through Fidelity. As described above, SC&H may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

In limited circumstances, and at SC&H's discretion, some clients may instruct SC&H to use one or more particular brokers other than Fidelity for the transactions in their accounts. If you choose to direct SC&H to use a particular broker, you should understand that this might prevent SC&H from effectively negotiating brokerage commissions on your behalf. This practice may also prevent SC&H from obtaining favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will

obtain through your broker are adequately favorable in comparison to those that SC&H would otherwise obtain for you.

### **Order Aggregation**

Transactions for each client generally will be effected independently, unless SC&H decides it is in the best interest of its clients to purchase or sell the same securities for several clients at approximately the same time. SC&H may, but is not obligated to, combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). SC&H will then distribute a portion of the shares to participating accounts in a fair and equitable manner. Generally, participating accounts will pay a fixed transaction cost regardless of the number of shares transacted. In certain cases, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs on any given day. In the event an order is only partially filled, the shares will be allocated to participating accounts in a fair and equitable manner, typically in proportion to the size of each client's order. Accounts owned by SC&H or persons associated with SC&H may participate in block trading with your accounts; however, they will not be given preferential treatment. Under certain circumstances, the amount of securities may be increased or decreased to avoid holding odd-lot or a small number of shares for particular clients.

SC&H does not block trade for non-discretionary accounts. Accordingly, non-discretionary accounts may pay different costs than discretionary accounts pay. If you enter into non-discretionary arrangements with our firm, SC&H may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than clients who enter into discretionary arrangements with SC&H.

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

If SC&H makes an error while placing a trade for an account, SC&H must bear any costs of correcting the trade. When trade errors are identified, SC&H works with the executing broker and custodian for resolution. SC&H maintains a Firm error account, and any net positive balances in the error account are periodically credited to SC&H's donor advised Fidelity Charitable Gift fund for donation to charity.

## Item 13 Review of Accounts

If you are participating in Asset Management, you will be invited to participate in at least an annual review. You may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. Levels of reviews will vary depending on client needs at the time of review as well as changes in the financial status or position (tax status or otherwise), financial goals, current market conditions, performance standards, suitability changes, and age, among other things. Your Advisory Representative will monitor for changes or shifts in the economy, changes to the management and structure of a mutual fund or company in which your assets are invested, and market shifts and corrections.

If you are participating in Financial Planning Services, you will not receive regular reviews. SC&H recommends you have at least an annual review and update to any plans. SC&H can provide such a review under separate contract. However, the time and frequency of the reviews is solely your decision, and you are not obligated to engage SC&H for such reviews. Other than the initial plan or analysis, there will be no other reports issued.

The following individuals conduct reviews: Gregory S. Horning, President; Andrew Thompson, Director; Robin K. Patalon, Director; Robert J. Schmitt, Principal; Christopher DeBlanc, Senior Manager; Mark DeGroat, Manager; Ryan Frank, Senior Manager; Caitlin Garner, Manager; Jaewon Lee, Senior; Angelo Romano, Manager; Jerrin Toomey, Senior; and/or Kellie Walter, Senior.

You are advised that you must notify your Advisory Representative promptly of any changes to your financial goals, objectives or financial situation as such changes may require him or her to review the portfolio allocation and make recommendations for changes.

Accounts under management will be provided statements at least quarterly, directly from the account custodian. Additionally, you will receive confirmations of all transactions directly from the account custodian. SC&H sends quarterly performance reports to all clients. You should compare the quarterly performance report from SC&H with statements received directly from the account custodian. Should there be any discrepancy, you should inform your Advisory Representative.

## Item 14 Client Referrals and Other Compensation

SC&H acts as solicitor for other investment advisory firms and receives a portion of the advisory fees paid to the third-party advisory firms by these referred clients. SC&H has entered into a solicitor agreement with City National Rochdale, LLC ("Rochdale"), a third-party investment adviser for whom SC&H acts as solicitor. SC&H provides referred clients with Rochdale's disclosure brochure as well as a Solicitor Disclosure statement which describes the arrangement between Rochdale and SC&H, including the term of compensation between these two parties. If the referred client engages Rochdale for investment advisory services, per the terms of the solicitor agreement, SC&H receives a portion of the advisory fees received from that client by Rochdale.

SC&H may also enter into arrangements with individuals ("Solicitors") whereby the Solicitors will refer clients who may be a candidate for investment advisory services to SC&H. In return, SC&H will agree to compensate the Solicitor for the referral. Compensation to the Solicitor is dependent on the client entering into an advisory agreement with SC&H for advisory services. Compensation to solicitor will be an agreed upon percentage of SC&H's advisory fee. The solicitation/referral fee is paid pursuant to a solicitor agreement retained by both SC&H and the Solicitor. The Solicitor is not permitted to offer client's investment advice on behalf of SC&H. Clients' advisory fee will not be increased as a result of compensation being shared with Solicitor. SC&H currently only has one Solicitor arrangement with our parent company and its employees and/or affiliates.

Certain employees of SC&H or our affiliates receive compensation from our firm on a quarterly basis for the establishment of new client relationships. Certain employees who refer clients to SC&H must comply with the requirements of the jurisdictions where they operate. The compensation is a percentage of the advisory fee you pay SC&H for the first full year you are a client of our firm. You will not be charged additional fees based on this compensation arrangement. Incentive-based compensation is contingent upon you entering into an advisory agreement with SC&H. Therefore, the individual has a financial incentive to recommend SC&H to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain SC&H for advisory services. Comparable services and/or lower fees may be available through other firms.

The parent company of SC&H, SC&H Group, also has a Client Development Bonus where employees of the parent company and all affiliates will be paid a portion of the fees for any client for which the employee is initial contact from the parent company. The client will not be charged any additional fees for this compensation arrangement. The employees have a financial incentive to recommend the services of the parent company or its affiliates, which creates a conflict of interest; however, clients are not obligated to retain the parent company or its affiliates for any services. Comparable services and or lower fees may be available for the same services through other firms.

Employees of SC&H may utilize lead generation services for purposes of identifying potential clients. The leads may or may not result in a client relationship. The Firm pays a fee to the lead generation service for access to their focused database of contacts who may be seeking financial services. There is no payment for referrals and no solicitation of clients for the Firm.

## **Item 15 Custody**

For purposes of providing its advisory services, SC&H does not maintain either possession or custody of actual client assets. However, SC&H may be deemed to have custody of client funds or securities for those clients who have authorized us to deduct our advisor fees from their account or for those clients who have granted us limited power to transmit funds to one or more third parties through a Standing letter of Authorization.

### **Direct Debiting of Fees**

SC&H is deemed to have custody or possession of client funds due to its authority to debit clients' custodial accounts for its advisory fees. As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. All client assets are maintained with a qualified custodian who sends account statements at least quarterly. Clients should carefully review the account statements they receive from their custodians and compare them to any statements or reports received from SC&H. Should there be any discrepancy, you should inform your Advisory Representative. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period.

### **Custody Due to Standing Letter of Authorization**

SC&H may assist clients with the transfer of their assets between two or more of a client's accounts maintained at the client's custodian, or maintained with multiple custodians. This ability to transfer a client's assets between the client's accounts maintained at one or more qualified custodians if the client has authorized the adviser in writing to make such transfers causes our firm to exercise limited custody over your funds or securities. Pursuant to Rule 206(4)-2 (the "Custody Rule"), SC&H has taken steps to have controls and oversight in place to support the no-action letter issued by the SEC on February 21, 2017 (the "SEC no-action letter"). With respect to third-party standing letters of authorization ("SLOA") where a client may grant SC&H the authority to direct custodians to disburse funds to one or more third-party accounts, we are deemed to have limited custody. However, for these assets, we are not required to comply with the surprise examination requirement of the Custody Rule if we are otherwise in compliance with the seven representations noted in the February 21, 2017 no-action letter. Where the Adviser acts pursuant to a SLOA, we believe we are making a good faith effort to comply with the representations noted in the SEC's no-action letter. Additionally, since many of those representations involve the qualified custodian's operations, SC&H will collaborate closely with its custodians to ensure that the representations can be met. Regardless of the representations, SC&H complies with the custody requirements of the Advisers Act and undergoes a surprise exam by an independent public accountant whose review includes this category of accounts.

### **Custody Due to Access of Client Funds and/or Securities**

The SEC defines custody as holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them. The ability for SC&H to, directly or indirectly, have access to client funds through a power of attorney under which SC&H is authorized or permitted to withdraw

client funds or securities upon instruction to a custodian imputes custody to SC&H. Therefore, SC&H will comply with custody requirements of the Advisers Act and undergo an annual surprise exam by an independent public accountant.

## Item 16 Investment Discretion

You may provide written authorization, via the Investment Advisory Agreement, granting SC&H sole discretion to purchase and/or sell securities within your account without first consulting you.

Additionally, you are advised that:

1. You may set parameters with respect to when accounts should be rebalanced and set trading restrictions or limitations;
2. Your written consent is required to establish any brokerage account;
3. With the exception of deduction of SC&H's advisory fees from the account, if you have authorized automatic deductions, SC&H will not have the ability to withdraw your funds or securities from the account.



## Item 17 Voting Client Securities

SC&H does not vote your securities. The voting and how you vote the proxies are solely your decision. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder. In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitations to vote proxies. You may contact us if you have any questions about a particular solicitation; however, the voting decision remains with you as shareholder.

## Item 18 Financial Information and Additional Information

### Financial Information

SC&H does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, a balance sheet is not required to be provided to you at this time.

As stated above, SC&H has discretionary authority over client accounts; however that authority does not extend to the withdrawal of any client assets, with the exception of deduction of SC&H's advisory fees from your accounts.

SC&H is financially stable. There is no financial condition that is likely to impair our ability to meet our contractual commitment to you or any other client.

Neither SC&H nor any of its Advisory Representatives has ever been the subject of a bankruptcy petition.

### Additional Information

#### Your Privacy

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose your nonpublic personal information to nonaffiliates, except as permitted by applicable law or regulation or to service your account, as described below.

We may disclose personal information obtained from you to financial service providers, non-financial providers, and others that service or provide support to your accounts, as permitted under law, such as:

- ◆ Securities broker/dealers.
- ◆ Custodians and transfer agents
- ◆ Other investment advisers or sub-advisers who provide services to you or your account.
- ◆ Insurance agents and insurance companies.
- ◆ Investment companies.
- ◆ Third-party administrators and vendors hired to effect, administer or enforce transactions or services in your accounts.
- ◆ Consumer reporting agencies in connection with your application or renewal of insurance coverage.

We train our staff to take caution in handling personal information. We restrict access to nonpublic information about you to staff that need to know such information, who assist in providing products and services to you, or who assist in the administration of the office, in order to maintain confidentiality of your information. We have security practices and procedures in place to ensure the confidentiality of your information in accordance with this policy.

We will affirm our Privacy Policy annually in writing, provided you maintain an ongoing relationship

with us. In addition, if we change our Privacy Policy, we will notify you by providing you with an amended Privacy Notice prior to making disclosure of your nonpublic information to nonaffiliated third parties that are not required or specifically permitted under law.

If you close your account, cease services with us, or become an inactive customer, we will continue to adhere to the privacy policy disclosed herein, unless we notify you by providing an amended Privacy Notice.

If you have questions about our privacy policies contact our main office at the telephone number on the cover page of this brochure and ask to speak to the Chief Compliance Officer.

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

### **IRA Rollover Considerations**

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm. SC&H has procedures in place to review rollovers to ensure they are in the client's best interest.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do so:

1. Determine whether the investment options in your employer's retirement plan address

your needs or whether you might want to consider other types of investments.

- Employer retirement plans generally have a more limited investment menu than IRAs.
  - Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than our fees.
    - If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
    - You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
  3. Our strategy may have higher risk than the option(s) provided to you in your plan.
  4. Your current plan may also offer financial advice.
  5. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution until age 72.
  6. Your 401k may offer more liability protection than a rollover IRA; each state may vary. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules, so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.
  7. You may be able to take out a loan on your 401k, but not from an IRA.
  8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
  9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
  10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions, contact your investment adviser representative, or call our main number as listed on the cover page of this brochure.