

## **Part 2A of Form ADV: *Firm Brochure***

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**This brochure provides information about the qualifications and business practices of Schnieders Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 626-584-6168 or at [sue@schniederscapital.com](mailto:sue@schniederscapital.com). The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or any state securities authority. Schnieders Capital Management, LLC is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration as an investment adviser does not imply any level of skill or training.**

**Additional information about Schnieders Capital Management, LLC is available on the SEC's website 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 our firm is 120952.**

**Item 2. Summary of Material Changes**

This Brochure is our annual updating amendment. There are no material changes to the information contained in this Brochure since our last amendment dated April 1, 2015. However, certain non-material changes have been made to this Brochure and as such, we urge you to read this Brochure in its entirety.

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**Item 4.****Advisory Business****Introduction**

Schnieders Capital Management, LLC (“SCM”, “we”, “our”, or the “Firm”) provides discretionary and non-discretionary portfolio management services whereby we select and manage stocks, bonds, mutual funds, exchange traded funds and other investments for individuals, pension and profit sharing plans, trusts, estates or charitable organizations and corporations or other business entities.

SCM is a California domiciled limited liability company. We have been in business continuously since registering as an investment adviser in 2002. SCM is managed and operated by James (Jim) Schnieders, William Schnieders, and John Schnieders as owners and Principals.

**PORTFOLIO MANAGEMENT SERVICES**

SCM provides portfolio management services, defined as giving continuous investment advice to a client or making investments for a client based on the individual needs of the client.

Through personal discussions and/or meetings SCM determines clients’ needs. SCM will manage advisory accounts on a discretionary and non-discretionary basis, according to the client’s needs and objectives. Account supervision is guided by the stated objectives of the client (i.e., capital appreciation, growth, income, or growth and income), as communicated to SCM by the client from time to time. SCM may also provide financial planning services as part of the overall portfolio management services provided to clients.

SCM will create a portfolio for client assets including, but not limited to some or all of the following: individual equities, no-load, load-waived, front-load mutual funds, exchange traded funds (ETFs), municipal and corporate bonds, Treasury obligations, and other yield oriented investments, such as preferred stocks, both straight and convertible, Master Limited Partnerships and real estate investment trusts (REITs). Portfolio weighting of specific investments will be determined by each client's individual needs and circumstances. Clients will have the opportunity to place reasonable restrictions on the types of investments that will be made on the client's behalf. Clients will retain individual ownership of all securities.

While SCM's strategy is primarily long-term in nature, SCM may, when appropriate to the needs of the client, recommend the use of trading (securities sold within 30 days), short sales, margin transactions or option writing. Because these investment strategies involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated tolerance for risk.

As of December 31, 2015, we had approximately \$507M\_ of assets under management, of which approximately \$250M was managed on a discretionary basis, and approximately \$257M\_ of which was managed on a non-discretionary basis.

## **Item 5. Fees and Compensation**

### **FEEs FOR PORTFOLIO MANAGEMENT SERVICES**

Our annual fee for Portfolio Management Services is charged based on a percentage of each client's total assets under management. Our standard fee schedule is generally as follows:

Assets under Management	Annual Fee (%)
Up to \$500,000	1.50%
\$500,001-\$1,000,000	1.25%
\$1,000,001-\$2,000,000	1.00%
\$2,000,001-\$4,000,000	0.75%
\$4,000,001-\$10,000,000	0.50%
Above \$10,000,000	0.25%

Discretionary and non-discretionary accounts may initially be charged based on the above fee structure. However, the annual fee imposed may later be increased or decreased upon notice to the client based on a number of factors including, but not limited to, type of assets held, time allotted to each client, the depth and frequency of client discussions, meetings, past relationships, and service requirements for each client. In certain circumstances, all fees and account minimums may be negotiable.

SCM normally requires a client to have a minimum account of \$250,000 for Portfolio Management Services. This account size may be negotiable under certain circumstances, in SCM's sole discretion.

Clients will be invoiced in advance at the beginning of each calendar quarter based upon the net asset value of the client's account as of the last day of the previous quarter. Fees may be debited from the account in accordance with the client authorization contained in the Client Services Agreement.

A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable, minus any free days given to the client during the terms of relationship.

### ***Other Fees and Expenses***

All fees described above and paid to SCM for investment advisory services are separate and distinct from any fees and expenses charged by third parties, for which clients are solely responsible. Such fees include, but are not limited to, mutual funds or exchange traded funds (ETFs) fees charged to shareholders, and management/performance fees, expenses, and distribution fees charged by any private investment funds to their investors which are more fully described in each fund's prospectus or offering documents. Accordingly, the client should review both the fees charged by the funds and the fees charged by SCM to fully understand the total amount of fees for which the client is responsible.

Apart from the fees and charges described above, clients are also responsible for the fees and expenses charged by custodians and imposed by broker-dealers, including, but not limited to, any commissions, custody fees, transaction charges or mark-up/mark-downs imposed by a broker-dealer engaged to effect transactions for a client's account(s).

**Item 6. Performance-Based Fees and Side-By-Side Management**

Not applicable.

**Item 7. Types of Clients**

SCM offers and provides portfolio management services to individuals, including high net worth individuals, pension and profit sharing plans, charitable organizations and corporations seeking SCM's personalized investment advisory services. Our firm provides portfolio management services on a discretionary and non-discretionary basis.

**Item 8. Methods of Analysis, Investment Strategies & Risk of Loss**

***Methods of Analysis***

As part of our methods of analysis, we use the following

Fundamental analysis. Fundamental analysis involves the selection, evaluation, and interpretation of financial data and other pertinent information to assist in evaluating the operating performance and financial condition of a company or an industry. The operating performance of a company is a measure of how well a company has used its resources – its assets, both tangible and intangible – to produce a return on its investment. The financial condition of a company is a measure of its ability to satisfy its obligations, such as the payment of interest in a timely manner.

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the security.

Technical Analysis: Technical analysis is the discipline for forecasting the direction of prices through the study of past market data, primarily price and volume. Risk of technical analysis is that previous market movements may not be an accurate indicator of future movements.

Qualitative analysis: As a part of our fundamental analysis, we subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data. The risk involved in using qualitative analysis is that our subjective judgment may prove incorrect.

Quantitative analysis: We may use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

Asset Allocation: The purpose of the asset allocation is to diversify funds into varying asset classes (stocks, bonds, and liquid reserves) according to the client's risk profile and to hedge against uncertainty. Implicit in this approach is that the total portfolio is more important than the underlying securities.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

Risks for all forms of analysis: The markets are subject to the risks of the unforeseen, including political events, terrorist attacks, fraud, bubbles and panics—more generally, the uncertainty produced by the fact that the future is unknown. In addition, markets are unforgiving and can be perverse and irrational over the short or longer period. Absolute loss can also occur when a client sells out of fear when the market experiences a significant downward movement, waiting to reinvest only when the market recovers.

When experiencing market volatility, a client might not have the emotional strength or discipline to ride through the inherent volatility of the market.

Our securities analysis methods for the securities we recommend, purchase and sell, are assisted by, but do not rely entirely upon the assumption that the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. Factored into our decision making process is the risk of fraud or that the reporting data may be incorrect, and thus there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### ***Investment Strategies***

SCM may recommend to advisory clients investments in private placement offerings and/or limited investment partnerships, such as hedge funds and other pooled investment partnerships. Because these types of investments involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability. Please see the relevant private placement offerings and/or limited investment partnership agreements for a more detailed description of the risks associated with these investments.

We also use the following strategies in managing client portfolios:

Long-term purchases: We purchase securities with the idea of holding them in a client's portfolio for a year or longer. We may do this because we believe the securities to be currently undervalued. We may do this because we want exposure to a particular asset class over time, regardless of the current projection for this asset class or security.

A risk in a long-term purchase strategy is that, by holding the security for this length of time, we may not take advantages of short-term volatility that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Short-term purchases: We occasionally may purchase securities with the idea of selling them within a relatively short time (typically a year or less). A risk in a short-term purchase strategy is that, should the anticipated price increase not materialize, we are left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

Margin transactions: We generally do not recommend the use of margin as part of our investment strategies, but will do so in the best interest of the clients.

Option writing: As a matter of policy and practice, we do not use options or option strategies, unless directed to do so by our clients.

For all strategies:

Investments in securities are not guaranteed, and clients may lose money on their investments. We make significant efforts and inquiries to help us understand client's tolerance for risk and any changes in their financial objectives and circumstances. We also request that clients notify us of any such changes promptly.

## **Item 9. Disciplinary Information**

Our firm, its Principals and associated persons have no disciplinary, legal or regulatory events that are required to be disclosed under this item.

## **Item 10. Other Financial Industry Activities and Affiliations**

Neither SCM nor its principal owners are registered or have applications pending to register as a broker-dealer or registered representative of a broker-dealer; as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities. SCM does have referral arrangements with other advisors. These referral arrangements are disclosed and pre-approved by the clients that are involved.

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

SCM has adopted a Code of Ethics consistent with the requirements of the Investment Advisers Act of 1940 (the "Advisers Act"). Our firm's Code of Ethics provides for a high ethical standard of conduct for all SCM's management, associated persons and employees, compliance with federal securities laws, and policies and procedures for the reporting of



certain personal securities transactions and security holdings by SCM's management, associated persons and employees. SCM's Code of Ethics also requires the prior approval of any IPO and private placement investments, as well as supervisory reviews, enforcement and recordkeeping. SCM's Code of Ethics also includes the firm's Insider Trading Policy, which prohibits the misuse of material non-public information.

A copy of SCM's Code of Ethics is available to SCM's advisory clients upon written request to the Chief Compliance Officer at SCM's principal address.

SCM and individuals associated with our firm may buy or sell securities identical to or different than those recommended to clients. In addition, any associated person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client. This presents a conflict of interest, to the extent, that an employee of our firm may purchase a security for him/herself prior to that transaction being implemented in a client's account, thus, receiving a more favorable price, commission, or allocation.

It is the expressed policy of SCM that no person employed by SCM may purchase or sell any security from 12 hours before or after a transaction(s) being implemented for an advisory account, unless such trade is placed as part of an aggregated transaction (see SCM's trade aggregation policy and procedures immediate following), thereby preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

## **Item 12. Brokerage Practices**

### ***Selection of Broker-Dealers***

For clients in need of brokerage or custodial services, and depending on client circumstances and needs, SCM may recommend the use of one of several broker-dealers including, but not limited to Pershing, provided that such recommendation is consistent with SCM's fiduciary duty to the client.

SCM endeavors to recommend those brokers or dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's stability, reputation, ability to provide professional services, competitive commission rates and prices, research, trading platform, and other services that will help our firm in providing investment management services to clients. In addition, SCM considers the broker's ability to provide professional services, SCM's experience with the broker, the broker's reputation and the broker's quality of execution services and costs of such services, among other factors. SCM clients must evaluate these brokers before opening an account. Clients are not under any obligation to effect trades through any recommended broker.

### ***Research and Soft Dollar Practices***

Our firm may recommend or use a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may

be useful in servicing all our clients.

As a matter of firm policy and practice and other than the Pershing relationship summarized below, SCM does not have any formal or informal arrangements to obtain any research or research-related services on a soft dollar basis.

SCM's arrangement with Pershing permits it to obtain research services and is designed to augment SCM's own internal research and investment strategy capabilities. The research services received by SCM from Pershing depend on the amount of transactions directed by SCM's clients to Pershing. These benefits will be received without prior agreement by the client. Thus, SCM's receipt of research from Pershing may create an incentive to recommend Pershing to clients based on SCM's interest in receiving such research.

Research services obtained through SCM's arrangement with Pershing generally include statistical research and/or pricing/quotation services, including on-line services. SCM does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among clients in a particular manner, believing that the research SCM receives will help SCM to fulfill its overall duty to all of its clients. SCM may not use each particular research service, however, to service each of its clients. As a result, a client may pay brokerage commissions that generate research services not used to benefit the specific client that generated such soft dollar benefit. SCM's receipt of the above services creates a potential conflict of interest and incentive for SCM to continue to recommend Pershing to its clients. As a fiduciary, SCM is required to place the interests of its clients before its own. Also as set forth below, SCM clients are not required to use the services of Pershing.

In the event that SCM receives any products or services from Pershing that are not entirely research oriented, SCM makes a good faith effort to determine the percentage of such products or services which may be considered as investment research. The portion of the costs attributable to non-research usage of such products or services is paid by SCM to Pershing.

### ***Brokerage for Client Referrals***

SCM does not consider the prospect of receiving or the receipt of client referrals when selecting or recommending broker-dealers for client securities transactions.

### ***Direction of Brokerage***

As SCM does not have the discretionary authority to determine the broker-dealer to be used, or the commission rates to be charged, except for Pershing relationships, clients must direct SCM as to the broker-dealer to be used. In directing the use of a particular broker or dealer, it should be understood that SCM may not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to other clients.

Many clients, when undertaking an advisory relationship, already have a pre-established relationship with a broker and they will instruct SCM to execute all transactions through that

broker. In the event that a client directs SCM to use a particular broker or dealer other than Pershing, it should be understood that under those circumstances SCM will not have authority to negotiate commissions, obtain volume discounts and best execution may not be achieved. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to other clients.

### ***Aggregation of Transactions***

SCM may block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple clients' accounts so long as transaction costs are shared on a pro-rated basis between all accounts included in any such block. Block trading allows SCM to execute equity trades in a more timely, equitable and efficient manner and to reduce overall commission charges to clients.

SCM will not be able to block trades for client accounts who direct the use of a broker other than Pershing, and therefore a disparity in commission charges may exist between the commissions charged to other clients.

Trades for affiliated accounts may be included in SCM client block trades. Please refer to the disclosure below for a description of SCM's aggregation procedures.

### ***Allocation of Investment Opportunities***

As a matter of firm policy, SCM seeks to allocate investment opportunities and transactions on a fair and equitable basis for all clients over time and to not favor certain clients over others. In the unlikely event that limited investment opportunities or transactions would need to be allocated among advisory clients, SCM would allocate the investments or transactions fairly and equitably and typically on a pro-rata basis.

## **Item 13. Review of Accounts**

### ***Portfolio Reviews***

While the underlying securities within SCM client portfolios are continuously monitored, these portfolios are reviewed at least quarterly by William Schnieders, James Schnieders or John Schnieders, Principals of SCM. Accounts are reviewed in the context of each client's stated investment goals, objectives, and guidelines. Reviews may also be triggered by material changes in other variables such as the client's individual circumstances, the market, political or economic environment or upon a client's request.

### ***Reports to Clients***

In addition to the monthly statements and confirmations of transactions that SCM clients receive from their broker-dealer or bank as qualified custodians, SCM may provide detailed account summaries on at least an annual basis when the Principals of the firm meet with their

clients individually, whether in person or via telephone.

#### **Item 14. Client Referrals**

SCM may from time to time, either directly or indirectly, compensate third parties (defined as a natural person or a company) for client referrals. For SCM referral arrangements, the firm typically pays a percentage of the annual advisory fees earned for any clients referred to SCM to those persons referring clients to the firm. A client's advisory fees are not increased in any manner as a result of the referral arrangements because any referral fees are paid entirely by SCM.

SCM is aware of the special considerations under Rule 206(4)-3 under the Investment Advisers Act. Accordingly, appropriate disclosures will be made and records maintained by SCM consistent with applicable regulatory requirements

#### **Item 15. Custody**

SCM is deemed to have “constructive custody” under regulatory guidelines as a result of our firm’s authority to directly debit client advisory fees from their custodian accounts consistent with industry practices and regulatory guidelines. All client funds and assets are maintained with a qualified custodian that will send statements to clients on a periodic basis.

In order to ensure that all account transactions, holdings and values are correct and current, we urge clients to compare the statements they may receive from SCM with the statements they receive directly from their independent brokerage or bank qualified custodian.

#### **Item 16. Investment Discretion**

Currently, SCM manages client relationships on a non-discretionary and discretionary basis. For discretionary client relationships, clients provide written authority to determine the securities and the amounts of securities without obtaining specific client consent. Any client limitations in this discretionary authority are to be provided in writing and any change or amendments in any client limitations are also to be provided in writing.

For discretionary clients whose assets will be held in custody at Pershing LLC ("Pershing"), a subsidiary of The Bank of New York and a member of BNY Securities Group, and a FINRA registered broker-dealer firm, SCM requests that it be provided with written authority to negotiate the commission costs that will be charged to our clients for these transactions.

#### **Item 17. Voting Client Securities**

As a matter of firm policy and practice, SCM does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and

voting proxies for any and all securities maintained in client portfolios.

In the event any client requests SCM's assistance on any proxy voting issue, we may provide assistance or background information about the company or issue, but the client always retains the responsibility for voting any proxies.

Further, we may also assist clients with appropriate research or appropriate information to assist client with any filings for legal proceedings, e.g., class actions, reorganizations, bankruptcies, etc., relating to any portfolio securities.

#### **Item 18. Financial Information**

As a matter of firm policy and practice, our firm will not charge or earn advisory fees in excess of \$1,200 six months or more in advance of providing services.