

## **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 [jim@schniederscapital.com](mailto:jim@schniederscapital.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. Any references about Schnieders Capital Management as a “registered investment adviser” as being “registered” does not imply a certain 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**

On July 28, 2010, the United State Securities and Exchange Commission (“SEC”) published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Firm Brochure is a new document prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss specific material changes that are made to the Firm Brochure and provide clients with a summary of such changes.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

*At the time of this Firm Brochure, February 2012, our firm has no material changes to disclose.*

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## **Item 4. Advisory Business**

### ***Investment Advisory Services***

#### **Introduction**

Schnieders Capital Management, LLC ("SCM" or "Adviser") is an investment management firm formed in 2002 and located in Pasadena, CA. SCM is an investment advisory firm registered with the U. S. Securities Exchange Commission and manages client assets of \$277 million. SCM is owned and managed by Jim Schnieders, William Schnieders and John Schnieders as owners and Principals.

SCM offers the following services primarily to individuals, pension and profit sharing plans, trusts, estates or charitable organizations and corporations or other business entities.

#### **PORTFOLIO MANAGEMENT SERVICES**

SCM provides Investment Supervisory Services, defined as giving continuous 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 those needs and objectives. Account supervision is guided by the stated objectives of the client (i.e., maximum capital appreciation, growth, income, or growth and income).

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 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 which 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.

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

### **PORTFOLIO MANAGEMENT SERVICES**

The annual fee for Portfolio Management Services will be charged as a percentage of assets under management, according to the following schedule:

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 begin with the above fee structure and may be different or lower due to 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.

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.

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

### **GENERAL INFORMATION ON FEES:**

The fee charged is calculated as described above and is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client (Section 205(a)(1) of the Advisers Act).

In certain circumstances, all fees and account minimums may be negotiable.

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. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

All fees paid to SCM for investment advisory services are separate and distinct from any fees and expenses charged by mutual funds or exchange traded funds (ETFs) to their shareholders and separate from any management/performance fees charged by any private investment funds to their investors. These fees and expenses are described in each fund's prospectus or offering documents. These fees will generally include a management fee, other fund expenses, and a possible mutual fund distribution fee or performance fee for private funds. If the mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund, ETF or private investment fund directly, without the services of SCM. In that case, the client would not receive the services provided by SCM which are designed, among other things, to assist the client in determining which mutual fund, ETF or private investment fund(s) are most appropriate to each client's financial condition and objectives. 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 to be paid by the client and to thereby evaluate the advisory services being provided.

As a matter of practice and policy, SCM does not include the value of any SCM advisory client assets invested in the Decathlon Fund, L.P., in the calculation of those clients' SCM advisory fees. The Decathlon Fund, L.P. is a private investment fund managed by SCM's affiliated adviser, Independence Capital Management, LLC. Investments in other unaffiliated private investment funds will be included in a SCM client's assets under management for fee calculation purposes.

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

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 with which Adviser effects transactions for a client's account(s).

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

SCM, as a matter of policy and practice, does not charge any performance-based fees for its portfolio management services.

Our firm's fees are calculated as described above and are not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client (Section 205(a)(1) of the Investment Advisers Act of 1940, as amended).

Side-by-side management refers to multiple client relationships where an adviser manages advisory client relationships and portfolios on a simultaneous basis for individuals, businesses, institutions and also mutual funds and/or hedge funds. In such circumstances, potential conflicts of interest may arise by and between the clients and the mutual and hedge funds, e.g., performance fee arrangements. SCM does not have these relationships, so we do not have side-by-side management potential or actual conflicts of interests.

SCM, has not in the past and, currently does not manage any client relationships for mutual funds or hedge funds or charge any performance fees.

#### **Item 7. Types of Clients**

Adviser 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.

Market regardless of the economic and financial factors considered in evaluation 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 history may not repeat itself.

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.

A risk 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 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 panics and 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. Additional information about the fees related to such investments is included in the offering documents provided to prospective investors. 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.

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: In most cases we do not recommend or utilize margin as part of our investment strategies.

Option writing: As a matter of policy and practice, we will not use options or option strategies as an investment strategy for our clients, 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.

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

SCM is a registered investment advisory firm registered with the U.S. Securities and Exchange Commission. SCM is also the parent company of Independence Capital Management, LLC (“ICM”), also a separately SEC-registered investment adviser. ICM serves as general partner and investment adviser to a private investment fund, Decathlon Fund, L.P., a Delaware limited partnership and may serve as general partner and/or investment adviser of other private investment funds.

Jim & John Schnieders, Principals and Members of SCM, are also Partners of ICM. Jim & John Schnieders devote efforts and time to the businesses of ICM as well as the advisory services for SCM’s clients. As a Partner of ICM, Jim and John Schnieders receive separate and distinct compensation as a Partner which presents a conflict of interest to the extent they may devote additional time and efforts for the management of the business of ICM.

Certain of SCM’s associated persons are also advisory representatives of ICM. In these other capacities, these SCM associated persons may also receive separate and distinct information for their services on behalf of ICM.

In addition, Donovan T. Garcia, President of ICM, SCM’s affiliated investment adviser firm, assists SCM and SCM Principals and Members with the research and analysis processes for SCM’s investment strategies.

Advisory clients of SCM may be solicited to invest in LLCs and/or LPs sponsored or offered by ICM. SCM provides certain administrative support services to ICM.

### ***Additional Compensation***

Clients should be aware that the receipt of any additional compensation by SCM and its management persons creates a conflict of interest that may impair the objectivity of SCM and these individuals when making advisory recommendations. Our firm endeavors at all times to put the interests of our clients first as part of its fiduciary duty as a registered investment adviser and takes the following steps to address this conflict:

- We disclose to clients the existence of all material conflicts of interest, including the potential for SCM and management persons to earn compensation from advisory clients in addition to SCM’s advisory fees.

- We collect, maintain and document accurate and relevant client background information, including the client's financial goals, objectives and risk tolerance.
- Our management conducts regular reviews of each client portfolio to verify that all recommendations made to a client are appropriate for the client's needs and circumstances.
- We require that employees seek prior approval of any outside employment activity so that SCM may ensure that any conflicts of interests in such activities are disclosed and properly addressed.
- We periodically monitor any outside employment activities to verify that any conflicts of interest continue to be properly addressed.
- We educate our employees about the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

SCM has adopted a Code of Ethics consistent with the Investment Advisers Act requirements. SCM's Code of Ethics provides for a high ethical standard of conduct for all SCM's professionals and employees, compliance with federal securities laws, and policies and procedures for the reporting of certain personal securities transactions on a quarterly basis and initial and annual security holdings by SCM's professionals and employees. Among other things, SCM's Code of Ethics also requires the prior approval of any IPO and private placement investments, supervisory reviews, enforcement and recordkeeping. SCM's Code of Ethics also includes the firm's Insider Trading Policy, which prohibits the mis-use 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.

SCM has established the following restrictions in order to carry out its fiduciary responsibilities to its clients:

- 1) A member, officer or employee of SCM shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of SCM shall prefer his or her own interest to that of the advisory client.
- 2) SCM maintains records of all securities holdings for itself, and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by William Schnieders, James Schnieders, or John Schnieders, Principals of SCM.
- 3) SCM emphasizes the unrestricted right of the non-discretionary client to decline to implement any advice rendered.
- 4) SCM emphasizes the unrestricted right of the client to select and choose any broker or dealer (s)he wishes.
- 5) SCM requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- 6) Any individual not in observance of the above may be subject to termination.

#### Trade Allocation Policy & Procedures

SCM may aggregate trades for itself or for its associated person with client trades, providing that the following conditions are met:

- 1) SCM's policies for the aggregation of transactions shall be fully disclosed in this Form ADV and separately to SCM's existing clients (if any) and the broker-dealer(s) through which such transactions will be placed.
- 2) SCM will not aggregate transactions unless it believes that aggregation is consistent with its duty to seek best execution (which includes the duty to seek best price) for its clients and is consistent with the terms of SCM 's investment advisory agreement with each client for which trades are being aggregated;
- 3) No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all SCM's transactions in a given security on a given business day, with transaction costs shared pro-rata based on each client's participation in the transaction;
- 4) SCM will prepare an allocation statement ('Allocation Statement') specifying the participating client accounts and how it intends to allocate the order among those clients;

- 5) If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement; if the order is partially filled, it will be allocated pro-rata based on the Allocation Statement.
- 6) Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment and the reason for different allocation is explained in writing and is approved by SCM's compliance officer no later than one hour after the opening of the markets on the trading day following the day the order was executed;
- 7) SCM's books and records will separately reflect, for each client account, the orders of which are aggregated, the securities held by, and bought and sold for that account;
- 8) SCM will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation; and
- 9) Individual advice and treatment will be accorded to each advisory client.

Please refer to Item 12 of this Brochure for aggregation policies.

## **Item 12. Brokerage Practices**

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

SCM endeavors to recommend those brokers or dealers which 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 which will help our firm in providing investment management services to clients.

### ***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.

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 clients must evaluate these brokers before opening an account. The factors considered by SCM when making this recommendation are 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. Clients are not under any obligation to effect trades through any recommended broker.

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 will 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 equally and 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.

#### ***Aggregation of orders between SCM & ICM***

SCM performs investment management services for various clients. There will be occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by SCM or its associated persons, some of which accounts may have similar investment objectives. Such accounts may include accounts served by Independence Capital Management, LLC. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they will be aggregated and effected only when SCM believes that to do so will be in the best interest

of the affected accounts. When such concurrent authorizations occur, the objective will be to allocate the investment opportunities and trade executions in a manner that is deemed equitable to the accounts involved.

### ***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.

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, believing that the research SCM receives will help SCM to fulfill its overall duty to its clients. SCM may not use each particular research service, however, to service each client. As a result, a client may pay brokerage commissions that generate research services not used to benefit that specific 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.

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.

### ***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. As a matter of investment policy and practice, SCM does not generally seek or participate in initial public offerings.

### **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 objectives and guidelines. More frequent reviews may be triggered by material changes in 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 will provide detailed account summaries on at least an annual basis when the Principals of the firm meet with their clients individually.

Clients will receive quarterly statements from SCM and should carefully review each statement. In order to ensure that all account transactions, holdings and values are correct and current, we urge clients to compare our firm's statements with the statements you receive directly from your independent brokerage or bank qualified custodian.

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

SCM may from time to time, either directly or indirectly, compensate any person (defined as a natural person or a company) for client referrals. For SCM referral arrangements, the firm will typically pay 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 from certain clients for SCM to directly debit client advisory fees from their custodian accounts consistent with industry practices and regulatory guidelines.



Clients will receive quarterly statements from SCM and are urged to carefully review each statement. In order to ensure that all account transactions, holdings and values are correct and current, we urge clients to compare our firm's statements with the statements you receive directly from your 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 custodied 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.

Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be submitted in writing.

#### **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 more than six months in advance of the services rendered.

Also, our firm and its Principals have no financial events or proceedings to disclose.