



Part 2A of Form ADV: Firm Brochure

2540 Huntington Drive, Suite #105
San Marino, CA 91108
(626) 286-4029

333 Gellert Boulevard, Suite 121
Daly City, CA 94015
(650) 758-0130

This brochure provides information about the qualifications and business practices of Pillar Pacific Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at info@PillarPacific.com.

Pillar Pacific Capital Management is a registered investment adviser. Registration as an investment adviser does not imply a certain level of skill or training. 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 Pillar Pacific Capital Management also is available on the SEC's website at www.adviserinfo.sec.gov.

December 30, 2011

Item 2: Summary of Material Changes

The SEC adopted “Amendments to Form ADV” in July, 2010. This Firm Brochure, dated 12/30/2011, is our new disclosure document prepared according to the SEC’s new requirements and rules. As a registered investment adviser, our firm is required to comply with the new reporting and filing requirements. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

In Item 10 we have removed a previously disclosed affiliation with California Casualty Management Company (a managing agent for the insurance entity California Casualty Indemnity Exchange) as the relationship was terminated back in September 2007.

After our initial filing of this Brochure, this Item will be continue to be used to provide our clients and prospective clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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Item 4: Advisory Business

Pillar Pacific Capital Management, LLC (hereinafter “PPCM”) is a registered investment adviser providing portfolio management to institutional and private clients. Our primary institutional products are large-, mid-, and small-cap growth and large-cap value equities, and our primary private client products are equity and balanced accounts.

The company was founded in 1999 (under the name Pillar Point Equity Management LLC) by Art French and Craig MacLeod to manage the institutional equity portfolios of Art’s predecessor firm (Pillar Point Capital Management, Inc.) and to grow the business. In 2007, one of the firm’s members since 1999, California Casualty Management Company sold its interest back to the company and Mindy Ying joined as a partner and President/CEO. The firm’s name was then changed to Pillar Pacific Capital Management, LLC. Mindy brought her PacWest Southern California investment management office, staff, and book of business to the company. In 2009, Craig MacLeod retired and Art French purchased his ownership share. The company is now 100% employee owned, and 51% minority- and woman-owned.

Investment Management

PPCM provides investment supervisory services, also called wealth management, investment management or asset management services, for a broad range of institutional and private client (individuals) accounts. All services are furnished on a continuous basis, taking into account the individual needs of each client. Through personal discussions we determine the client’s individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client’s prior investment history, as well as family composition and background. The basic service provided for clients is investment advice with respect to the investment capital placed under PPCM’s supervision. Advice is generally furnished on a discretionary basis, where PPCM is authorized by the client to make all investment decisions for the account.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. In addition, at PPCM’s discretion and as requested by the client, PPCM may include certain client assets, not subject to supervision by PPCM and upon which no fee is charged (non-discretionary securities), in its investment systems for the convenience of reporting to the client and may execute transactions in these securities upon instructions by the client.

Financial Planning

Ancillary to and in conjunction with providing such investment advice, PPCM may provide financial planning services. Such services are advisory in nature and assist clients in the overall management of their financial resources based upon an analysis of their individual needs. In general, financial planning includes estate planning, investment planning, education planning, tax planning, retirement planning, and risk management. Implementation of financial plan recommendations is entirely at the client's discretion.

Additional

All services are provided pursuant to written contracts that permit either the client or PPCM to terminate the relationship, generally upon specified advance notice of termination.

As of December 30, 2011 PPCM manages \$449 million in assets for both institutional and private clients.

Item 5: Fees and Compensation

Pillar Pacific Capital Management is a fee-only wealth management firm. PPCM does not receive any commissions from investment companies. PPCM is only paid by its clients. PPCM believes this allows them to offer unbiased investment and planning advice.

Services are provided primarily for a fixed fee rate that is determined on a client by client basis, considering the scope of the services to be provided and the complexity of the client's financial situation. PPCM's basic fee schedule (per annum) is detailed below. In certain situations, PPCM and client may negotiate, or PPCM may charge, actual fees that are at variance to this schedule. For some clients with less than one million dollar assets under management, PPCM may charge a minimum fee; this minimum fee may be of higher percentage of assets than that stated in the basic fee schedule. Occasionally, PPCM may provide services indirectly related to investment supervisory services of client assets and charge an hourly fee for these services; no significant hourly fees have been charged to date.

Private Clients (all-equity and balanced accounts):

Minimum initial account size:	\$1,000,000
On the first \$2 million	1.25%
On the next \$3 million	1.00%
On assets above \$5 million	negotiable

Institutional Fee, by product:

Minimum initial account size: \$3,000,000

Large Cap Growth:

On the first \$15 million: 0.75%

On the next \$35 million: 0.65%

On assets above \$50 million: 0.50%

Large Cap Value:

On the first \$15 million: 0.75%

On the next \$35 million: 0.65%

On assets above \$50 million: 0.50%

Mid Cap Growth:

On the first \$15 million: 0.90%

On the next \$35 million: 0.80%

On assets above \$50 million: 0.65%

Small Cap Growth:

On the first \$15 million: 1.00%

On the next \$35 million: 0.90%

On assets above \$50 million: 0.75%

Fees are billed monthly or quarterly (the billing period) in arrears based on the market value of the account on the last day of the billing period, and may be adjusted for deposits (withdrawals) into (out of) the account during the billing period. Fees are generally deducted from client accounts at the time of billing unless other mutually agreed upon arrangements have been made.

Fees will be assessed pro rata in the event an investment management contract is (i) executed at any time other than the first day of a billing period or (ii) terminated at any time other than the last day of a billing period.

At PPCM's discretion, PPCM may aggregate private client accounts of family members for purposes of calculating fees for each account. This potentially benefits those clients if the consolidated asset value causes the accounts to be assessed a reduced fee based on breakpoints available in the private client fee schedule. For client accounts previously managed by Pillar Point Capital Management, Inc. ("Capital", a predecessor of PPCM) the fee does not follow PPCM's basic fee schedule but rather is that fee charged by Capital when it provided supervisory services to the accounts. Other accounts of PPCM that are affiliated with or related to an account previously managed by Capital generally have a fee schedule similar to that of the affiliated or related account.

For client accounts previously managed by PacWest Financial Management, Inc. ("PacWest", the prior employer of PPCM's President), the fee may not follow PPCM's basic fee schedule but rather is that fee charged by PacWest when it provided supervisory services to the accounts. Other accounts of PPCM that are affiliated with or related to an account of a former client of PacWest may have a fee schedule similar to that of the affiliated or related account.

PPCM, from time to time, may invest or recommend investment of client assets in unaffiliated mutual funds that charge fees and expenses (as described in each mutual fund prospectus). These mutual fund investments will be included in the client assets under management for the purpose of computing PPCM's fee. As a consequence, the client incurs two management fees for those monies invested in mutual funds.

In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent manager effects transactions for the client's account. Please refer to the "Brokerage practices" section (Item 12) of this Form ADV for additional information.

Under no circumstances do we require or solicit payment of fees in excess of \$500 more than six months in advance of services rendered.

Item 6: Performance-Based Fees and Side-By-Side Management

Pillar Pacific Capital Management does not charge, nor utilize, either performance-based fees or side-by-side management arrangements.

Item 7: Types of Clients

PPCM provides services to many types of clients including but not limited to:

- High net worth individuals
- Pension and profit sharing plans
- Insurance companies,
- Trusts, estates, foundations, endowments
- Charitable organizations
- Corporations
- Health & Welfare Trusts

Various client accounts have minimum opening balance requirements; please see discussion of minimums and fees in Item 5: Fees & Compensation.

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

PPCM's investment strategy is to build broadly diversified, low turnover, risk-managed portfolios that will generate consistent excess returns over time. We implement an active, bottom-up investment process that is efficient, systematic, and scalable.

Quantitative Screening Models

Underlying our securities analysis process are four multi-factor valuation screening models which evaluate stock prices relative to company financial metrics and generates a valuation ranking for each stock in the universe. Since not all factors add value all the time, combining them into a portfolio of diversified factors contributes to more consistent excess return. We use the same factors, but with different weights, across the four different screening models for institutional equity products; Large Cap Growth, Mid Cap Growth, Small Cap Growth, and Large Cap Value.

Fundamental Analysis

Equally important is fundamental analysis, which provides insight into the relevance and accuracy of the factor data in the valuation model. We build a mosaic of information, evaluating such attributes as company products and markets, business drivers and risk factors, industry trends, and the macroeconomic environment. 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 stock.

Process

We incorporate the results of our securities analysis in an optimization process to construct portfolios. We have a strong preference for holding the most attractively valued securities (to generate incremental return) offset by a moderate preference for conforming to the structural characteristics of the benchmark (to manage risk).

Diversification is another important risk management tool. We diversify the factors in our valuation models, we diversify the portfolio across economic sectors and we limit stock-specific risk by holding 60 to 120 positions based on portfolio size. Risk control is further enhanced by repeating the structured analytical process regularly to ensure that timely

information is reflected in the valuation ranking and fundamental analysis, and that the portfolios remain well diversified with the desired risk characteristics.

We will purchase a stock when the valuation screening model and fundamental analysis indicates that it is attractive, or when it will contribute to portfolio diversification and/or risk reduction (even if other stocks appear more attractive). We sell or reduce a holding when stock or sector weights have become overly concentrated, when valuation ranking or fundamental analysis indicates that the stock has become less attractive, or to raise funds to buy more attractively valued stocks.

Fixed Income

PPCM implements a ladder approach for the management of fixed income portfolios. This strategy emphasizes high-quality short to intermediate maturity securities, provides current income and contributes to portfolio stability.

Additional Information

PPCM uses information delivered and processed electronically from such sources as Factset Systems, Vestek Systems, Thomson One, Compustat, I/B/E/S, Russell, and Bloomberg.

PPCM does not recommend the use of margin transactions and option writing in its investment strategies. However, a client may at their discretion use margin in his/her account so that additional funds are available to PPCM to invest under its investment strategy.

All investments in securities, whether in stocks or other investment vehicles, involve risk of loss. We encourage prospective clients to carefully review the information provided before engaging the services of PPCM. Additional resources related to the risks of investing can be found at the website of the Securities and Exchange Commission at <http://www.sec.gov>.

Item 9: Disciplinary Information

PPCM has not been nor is currently subject to any legal or disciplinary action related to the integrity of its business practices.

Item 10: Other Financial Industry Activities and Affiliations

Pillar Pacific Capital Management does not have any material relationships or arrangements with related financial industry participants.

Item 11: Code of Ethics, Participation or Interest in Client Transactions

Pillar Pacific Capital Management firmly believes that the firm and its officers and employees must adhere to the highest ethical standards both in the conduct of the firm's business and in personal conduct that may impact the firm and its business. PPCM is a fiduciary, and as such has an affirmative duty of care, loyalty, honesty and good faith to act in the best interest of PPCM's clients. Ethical conduct is premised on the principles of openness, integrity, honesty and trust. PPCM expects all officers and employees to conduct themselves in conformance with the Code of Ethics ("Code") not only in fact but also in appearance. An additional copy of our Code of Ethics summarized below is available upon request.

Definitions

Supervised Persons

"Supervised Persons" include any partner, officer, director (or other person occupying a similar status or performing similar functions) and employee of PPCM, and any other person who provides investment advice on behalf of PPCM and is subject to the supervision and control of PPCM.

Access Persons

An "Access Person" is a supervised person who has access to nonpublic information regarding clients' purchase or sale of securities, is involved in making securities recommendations to clients or who has access to such recommendations that are nonpublic. All Supervised Persons of PPCM are Access Persons.

In addition, the Chief Compliance Officer ("CCO") may designate as Access Persons certain individuals who are not Supervised Persons but who may have access to nonpublic information regarding clients' purchase or sale of securities.

Scope

This Code applies to all Access Persons, who are required to acknowledge in writing that they have read, understand, agree to and accept the standards and requirements of this code.

Responsibility

Compliance with the law and with this Code is an individual responsibility. If an individual is unclear on this Code or its application in particular situations, they are to direct questions to the CCO.

The CCO is responsible for maintaining and enforcing this Code of Ethics, and for providing each individual with a copy of the Code of Ethics and any amendments thereto.

If an Access Person suspects that there has been a violation of the Code of Ethics, such individual must promptly report the potential violation to the CCO. Such report may be verbal or in writing, and the CCO will maintain the confidentiality of the reporting person, if so requested. The CCO shall promptly investigate the situation. The CCO shall document and maintain records of violations of the code and actions taken as a result of such violations.

Standards of Conduct and Compliance with Laws

Client Interests

Client interests supersede PPCM's interests in all aspects of the client relationship.

As a fiduciary, PPCM has an affirmative duty of care, loyalty, honesty and good faith to act in the best interest of all of PPCM's clients. PPCM must deal with all clients in a fair and objective manner, and not give preferential treatment to some clients to the detriment of others. PPCM must ensure the suitability and appropriateness of investments for client accounts; such investments must be in conformity with agreed-upon client guidelines.

PPCM must avoid all situations where there is a conflict of interest. Except as relates to conflicts inherent in the use of soft dollars, neither PPCM nor any of its Access Persons may have a pecuniary interest in a client transaction other than PPCM's investment management fee. Soft dollars are discussed more fully in the Broker and Soft Dollar Policy.

Employee Conduct

Ethical conduct is premised on the principles of openness, integrity, honesty and trust. All employees are expected to conduct themselves in conformance with the Code of Ethics not only in fact but also in appearance.

Access Persons must not take inappropriate advantage of their positions. They may not participate in an investment opportunity as a result of their position with PPCM, whether they may be misappropriating an investment opportunity that should first be offered to clients or as a result of directing client business or brokerage.

Access Persons shall not have independent employment that is in conflict with their employment by PPCM.

Access Persons may not solicit gifts, nor may they receive any gift of more than token value from any person or entity that does or seeks to do business with or on behalf of PPCM. Access Persons may not give or offer any gift of more than token value to existing clients, prospective clients or any entity that does business with or on behalf of PPCM. Access

Persons may not provide/accept extravagant or excessive entertainment to/from a client, prospective client or any entity that does or seeks to do business with or on behalf of PPCM.

Confidentiality

PPCM has an obligation to safeguard sensitive client information. PPCM will maintain the confidentiality of a clients' or a former clients' financial circumstances, security holdings and transactions, and advice furnished to the client by the firm. PPCM will not disclose this confidential information except as permitted or required by law, pursuant to a request by the client, for the completion of transactions on behalf of the client, or as otherwise authorized by the client. In addition, PPCM has adopted a policy related to the privacy of consumer financial information, wherein PPCM does not disclose any non-public personal information about our clients or former clients to anyone, except as permitted or required by law, pursuant to a request by the client, for the completion of transactions on behalf of the client or as otherwise authorized by the client.

Use of Inside Information

It is illegal for any individual to trade in the securities of a public company while in possession of material nonpublic information ("inside information") about that public company. In addition, it is illegal for an individual to recommend trading in such securities or to communicate such inside information to another person. This conduct is commonly called "insider trading".

PPCM expects that each of its Access Persons will not trade on the basis of inside information. In addition, PPCM discourages its Access Persons from seeking or knowingly obtaining inside information.

Access Persons are to report acquisition of inside information to the CCO and shall not act upon the same. If an individual is uncertain with regard to whether information is inside information, they should review the facts and circumstances with the CCO.

Compliance with Law

All Access Persons must comply with federal securities laws.

Personal Trading Policy

During the course of employment at PPCM, or otherwise, an Access Person may be exposed to information on current or planned securities transactions for client accounts. Individuals, in their own personal investments, are prohibited from benefiting, directly or indirectly, at the expense of clients or of taking advantage, or trading on the knowledge they may have, of the market impact of transactions carried out for the client.

An Access Person may not:

1. sell to or purchase from a client any security.

2. enter into short sales
3. participate in any Initial Public Offering or private placement without the prior written consent of both the CCO and the Chief Investment Officer.

PPCM discourages Access Persons from engaging in short-term trading.

The following preclearance and reporting requirements apply to all accounts over which the Access Person has beneficial ownership and on all covered securities.

Preclearance Requirement: Access Persons are required to clear all trades of (i) more than 1,000 shares or (ii) a small cap stock (< \$2 billion market cap) with the CCO before execution.

Reporting Requirement for Transactions: Access Persons will provide the CCO with a quarterly report of all transactions within 30 days of quarter-end.

Reporting Requirement for Holdings: Each Access Person will provide CCO with a complete report of holdings, initially when an individual becomes an Access Person (within 10 days) and annually thereafter (within 45 days of year-end). In addition, if an Access Person becomes beneficial owner of a new account or covered securities, they will provide the CCO with a report of the new covered securities holdings (within 45 days).

A covered security is defined as all securities except:

1. direct obligations of the Government of the United States;
2. money market instruments - bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments;
3. shares of money market funds;
4. shares of open-end mutual funds;
5. units of a unit investment trust if the unit investment trust is invested exclusively in shares of open end mutual funds.

An Access Person is deemed to have a beneficial ownership interest in an account if that person has a direct or indirect pecuniary interest, which is an opportunity to profit directly or indirectly from a transaction in securities. In addition to accounts held directly, an individual may be deemed to have a beneficial ownership in (by way of example) accounts of a spouse or other close family member, or trust accounts for which the individual is a beneficiary or over which he exercises control.

Other Disclosure

Regardless of whether an activity is specifically addressed in this Code of Ethics, Access Persons should disclose any personal interest that might present a conflict of interest or harm the reputation of the firm.

Item 12: Brokerage Practices

Brokerage Discretion

In exercising its discretionary authority, PPCM will normally determine (without consultation with the client on a transaction-by-transaction basis): (1) which securities are bought and sold for the account; (2) the total amount of such purchases and sales and whether a client's transaction should be combined with those of other clients and traded as a "block"; (3) the brokers through which the transactions will be executed; and (4) the commission rates paid to effect the transactions.

However, PPCM's authority may be subject to conditions imposed by the client, examples of which include (a) the client restricts or prohibits transactions in specific securities or in securities of a specific industry; and (b) the client directs that transactions be effected through specific brokers. The latter restriction may be conditioned by the client on the broker being competitive as to price and execution for each transaction, or may be subject to varying degrees of restrictions such as: (i) an instruction to utilize the broker whether or not competitive; and (ii) where the specified levels of commissions are less favorable than might otherwise be attained by PPCM.

A client who restricts PPCM to using a particular broker, including a client who directs use of a broker who also will serve as a custodian (whether or not recommended by PPCM), should consider whether, under that restriction, the commission expenses, execution, clearance and settlement capabilities, and whatever amount is regarded as allocable to custodian fees (if applicable) will be comparable to those otherwise obtainable. Trades for accounts for which a broker serves as custodian generally will be placed through that broker. Also, PPCM may not negotiate fees with client-directed brokers; in such cases, fees must be negotiated by the client.

When PPCM does recommend to a client the use of a particular broker who serves as a custodian, PPCM may make such recommendation in part because the broker provides PPCM with products and services beyond trade execution that have an economic benefit to PPCM. Such products/services may include technology that provides access to client account data and that enables PPCM to more efficiently process trades and reconcile accounts. Such products/services also may include research materials, market data and publications. PPCM frequently recommends that private clients utilize Charles Schwab & Co., Inc. and Fidelity Institutional Brokerage Group, Inc. as broker/custodian. PPCM is also a participant in the Charles Schwab and Fidelity client referral programs and a detailed discussion of the arrangement is listed in Item 14: Client Referrals.

When effecting a transaction in a particular security for more than one client, PPCM will seek to allocate transactions equitably and in a manner consistent with the best interests of

all clients involved. Portfolio managers generally allocate trades in the same security across multiple accounts into a block for those accounts with non-designated brokers and into a separate block(s) for those accounts where a particular broker serves as custodian. For a block trade, each client participates at the average share price; each institutional client participates at the same commission per share while private clients may incur a different commission per share and this commission per share may also be different between private client accounts. Trades in that security for clients who have designated a broker will be placed separately, account-by-account, sometimes after the block order(s) has been placed; executed share price and commission may be different than the block trade amounts and different between accounts.

Factors considered in selection of a broker

PPCM considers a range of factors in determining which broker the firm will use in general, and which broker to select for a given trade. PPCM considers the performance of the broker/dealers against these factors on an on-going basis. Many of these factors are inter-related, and not all factors are relevant to every trade.

1. Demonstrated ability of broker to get advantageous price and/or to minimize the market impact of a trade. This is the overriding factor – the ability to execute a trade at a net price that is advantageous given the many factors involved in trading a given security in the market at a given moment.
2. How well a broker follows the guidelines given by PPCM's trader in the execution of specific trades. PPCM's trader may give instructions to a broker for execution of a trade, related to price, volume, notification or other considerations. PPCM monitors how well the broker firm follows those guidelines, and how well the broker salesperson works with his trader.
3. The nature and quality of research provided by a broker, including the generation of ideas as to specific securities. Brokers provide several types of research, including but not limited to: (1) general economic, financial and market research (2) research as to specific companies and (3) analytical and research tools and data. Research and Recommendations on specific companies are an important element of PPCM's investment process, and PPCM generally executes trades with those brokers who provide good ideas. In addition, PPCM monitors the quality of their recommendations over time. Other types of research, including analytical and research tools and data, may be paid for using hard and soft dollars.
4. Whether the broker provides research through soft dollar arrangements. Subject to the requirements of seeking best execution, PPCM engages in soft dollar arrangements, whereby PPCM directs some client transactions to certain brokers in exchange for which the broker, or an affiliate, provides research to PPCM, such research directly assisting PPCM in its investment decision-making process. This is discussed more fully in PPCM's Soft Dollar Policy.

5. The ability of a broker to provide an accurate picture of the market for, and trading in, individual securities. A broker can provide useful insight to PPCM on the markets in general and current supply/demand order patterns for a specific security. This information helps the PPCM's trader devise trading tactics to effect transactions at more advantageous prices.
6. The commission rates paid to the broker. Commissions are one element of the cost of the trade, and are generally determined by PPCM. The level of commissions often is outweighed by the ability of the broker to get an advantageous price or minimize the market impact of a trade. The other selection factors play a role in determining whether the amount of commission is reasonable.
7. Whether the broker has demonstrated sound ethics in trading for PPCM. The PPCM trader has had experiences where brokers have not lived up to standards of honesty and fair dealing. If such instances cannot be corrected, PPCM will stop trading through that broker.
8. The reliability and accuracy of the broker in reporting and settlement of trades. It is important that the reporting and settlement of trades goes smoothly. There can be a cost to problems in trade settlement, ranging from management time to resolve a settlement problem to a possible financial cost of failed trades.
9. Whether the client has directed that PPCM use certain brokers, and under what conditions. Certain clients may designate that trades be executed through specified brokers. This restriction may or may not be conditioned by the client on other factors. Subject to any such conditions, PPCM will follow the client's instructions to use the specified broker.
10. Whether the broker is also custodian for the client assets. Trades for accounts for which a broker serves as custodian generally will be placed through that broker.

Evaluation of performance of broker

After PPCM's trader has given trade instructions to brokers, he monitors the activity in those stocks during the trading period to evaluate the execution achieved in the context of the market for that security over that time period. Depending on the specific security involved, there may be on-going conversations between the trader and the broker, or the broker may simply report on completed trades. Trade settlement is monitored for timeliness, accuracy, and problem resolution.

In addition, the Chief Compliance Officer periodically tests and evaluates broker execution. These tests include comparing prices between brokers, when the same security is traded across multiple brokers on the same day, and evaluating prices against where the security traded in the markets.

If in the opinion of PPCM a broker is not providing good execution, PPCM will reduce the number of trades directed to such broker, or stop using the broker entirely.

Soft Dollar Policy

Subject to the requirements of seeking the best available execution and taking the broker selection factors into account, PPCM has engaged in soft dollar arrangements, whereby PPCM directs some client transactions to certain brokers in exchange for which the broker, or an affiliate, provides proprietary or third-party research to PPCM. Such research directly assists PPCM in its investment decision-making process. Proprietary research includes written research reports (hardcopy and email) and telephone commentary received on both a solicited and unsolicited basis; currently receipt of such research is not tied to the amount of commission paid.

In 2009, PPCM stopped incurring new third-party research services or products with soft dollars. PPCM continues to pay down soft dollar obligations accumulated from the past. The research services utilized by PPCM come within the “safe harbor” provided by Section 28(c) of the Securities Exchange Act of 1934.

In engaging in soft dollar arrangements, PPCM may or will affect securities transactions that cause a client to pay an amount of commission in excess of the amount of commission that would be paid if research were not provided by the broker and/or in excess of the amount of commission another broker would have charged. In selecting such broker, PPCM makes a good faith determination that the amount of commission is reasonable in relation to the value of the brokerage services and research received, viewed in terms of either the specific transaction or PPCM’s overall responsibility to the accounts for which it exercises brokerage discretion.

The research services are used for the benefit of all of PPCM’s accounts, whether or not a given account has paid commissions to the broker(s) providing such research services. These research services are integral to the firm’s investment management process, and would be acquired directly if the soft dollar arrangements were not in place.

These soft dollar arrangements present two conflicts of interest. First, they provide an economic benefit to PPCM, as PPCM would otherwise have to directly purchase these research services. Second, PPCM has an incentive to direct client trades to such brokers so long as the brokers continue to provide research services to PPCM.

Item 13: Review of Accounts

Each client account will be reviewed by the portfolio manager(s) responsible for the account on at least a quarterly, and often on a monthly or more frequent, basis. The reviews will consider some or all of the following factors: portfolio holdings and performance, market performance, asset allocation, client guidelines, risk management and the outlook for the

financial markets and for specific sectors and securities. The portfolio manager will offer to conduct a formal account review based on client request.

On a weekly or more frequent basis, the portfolios managers will review, in varying levels of detail, the equity securities held in client accounts, as part of PPCM's valuation process. Individual security price levels, price changes and company news for many of the equity securities held in client accounts are monitored daily.

Reports are sent to clients at least quarterly, including at minimum information on end-of-period holdings. Depending on client requirements, other information may include transactions, performance, realized gains/losses, and characteristics of the portfolio.

Additionally, clients will receive statements directly from their account custodian(s) on a monthly basis and can review their account holdings as well as all transactions made within the account via an on-line service made available to the client by the custodian.

Item 14: Client Referrals and Other Compensation

Agreements with Individuals

PPCM has agreements with certain of its employees and non-employee access persons, whereby PPCM will pay the individual a fee consisting of a specified percentage of investment management fees paid to PPCM from clients who were solicited by the individual, subject to certain thresholds or to other requirements.

PPCM also has agreements with nonemployee, non access persons, to pay a fee consisting of a specified percentage of the investment management fees paid to PPCM from clients who were solicited by the individual. Such agreements will comply with the requirements set out in Rule 206(4)-3 of the Investment Advisors Act of 1940, including the requirement that the relationship between the solicitor and the investment advisor be disclosed to the client at time of the solicitation or referral.

Agreement with Charles Schwab & Co., Inc.

PPCM receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through PPCM's participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with PPCM. Schwab does not supervise Advisor and has no responsibility for PPCM's management of clients' portfolios or Advisor's other advice or services. PPCM pays Schwab fees to receive client referrals through the Service. PPCM's participation in the Service may raise potential conflicts of interest described below.

PPCM pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by PPCM is a percentage of the fees the client owes to PPCM or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. PPCM pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to PPCM quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by PPCM and not by the client. PPCM has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs PPCM charges clients with similar portfolios who were not referred through the Service.

PPCM generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Advisor generally would pay in a single year. Thus, PPCM will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of PPCM's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, PPCM will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit PPCM's fees directly from the accounts.

For accounts of PPCM's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from PPCM's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, PPCM may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. PPCM nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for PPCM's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

Agreement with Fidelity Brokerage Services LLC

PPCM receives client referrals from Fidelity Brokerage Services LLC ("Fidelity") through PPCM's participation in the Fidelity Wealth Advisor Solution ("WAS") program. Under the WAS program, PPCM's name and business profile may be made available to potential customers who have requested of Fidelity information in connection with exploring working with an investment manager. Fidelity is independent of, and unaffiliated with, PPCM. Fidelity does not supervise PPCM and has no responsibility for PPCM's management of clients' portfolios or PPCM's other advice or services.

PPCM's relationship with Fidelity may raise potential conflicts of interest described below. PPCM's relationship with Fidelity includes, in addition to the WAS program, such services as brokerage, custody, administrative support, record keeping and other services. To participate in the WAS program, PPCM is required to maintain certain asset levels at Fidelity. As a result of all such services and requirements, PPCM has an incentive to continue to utilize Fidelity and to recommend to certain clients that they custody assets under PPCM's management at Fidelity. In general trades for client accounts held in custody at Fidelity will be executed at Fidelity, and thus may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers. PPCM nevertheless, acknowledges its duty to seek best execution of trades for client accounts.

Item 15: Custody

PPCM does not custody any client assets. PPCM's clients may utilize several custodians including Charles Schwab, Fidelity Investments, as well as other custodian banks. PPCM clients will receive a periodic statement from their custodian. PPCM will also send clients an account statement on a quarterly basis. Although PPCM regularly reconciles the custodian data to records held at PPCM, the client is still urged to carefully compare the statements received from PPCM with those of their custodian and ensure that all account transactions, holdings and values are correct and current.

Item 16: Investment Discretion

Pillar Pacific Capital Management exercises discretionary authority over clients' accounts. PPCM will supervise and direct the investment of the account, subject to the investment objectives and guidelines agreed upon between PPCM and the client, and to such limitations as the client may impose by notice in writing.

PPCM, as agent and attorney-in-fact with respect to the clients' account, when it deems appropriate, without prior consultation with Client, may (a) buy, sell, exchange, convert

and otherwise trade in any amount of stocks, bonds and other securities including money market instruments, and (b) place orders for the execution of such securities transactions with or through such brokers, dealers or issuers as PPCM may select. PPCM will have sole discretion over the commission rates to be paid for such transactions and PPCM is not required to place orders with low commission brokers and dealers nor is PPCM required, when placing orders with mutual funds, to select no-load or low load funds.

Item 17: Voting Client Securities

PPCM is required under Rule 206(4)-6 of the Investment Advisers Act of 1940 to provide clients certain information related to proxy voting. Per the terms of each client's investment management agreement, certain clients have authorized and directed PPCM to vote proxies on their behalf, and certain other clients have directed PPCM to not vote proxies.

Where the investment management agreement authorizes and directs PPCM to vote proxies, as a fiduciary, PPCM has duty both to vote client proxies and to vote them in the best interests of its clients.

PPCM has engaged Glass Lewis & Co, an independent research firm serving institutional investors, for proxy research and vote recommendations. In making its vote recommendations, Glass Lewis follows guidelines that are compliant with the fiduciary duty imposed by ERISA requiring a plan sponsor to protect fund assets. PPCM believes that these guidelines are equally relevant for non-pension fund accounts.

PPCM has adopted Proxy Voting Policies and Procedures that presents in more detail these proxy guidelines, and outlines the systems and procedures used to vote proxies and maintain records. PPCM believes that by following these policies and procedures PPCM is acting in the best interest of its clients.

Where the investment management agreement directs PPCM to not vote proxies, then PPCM will not be required to take any action or render any advice with respect to voting of client proxies. In those instances, PPCM has arranged with custodian that all proxy materials to be sent to the client directly.

Upon request, PPCM will provide clients with a copy of the Proxy Voting Policies and Procedures and/or a report of how proxies were voted for the client account(s).

Item 18: Financial Information

PPCM does not have any financial conditions that would likely impair its ability to meet contractual commitments to clients.