



PRIVATE CAPITAL MANAGEMENT, INC.

250 Steele Street, Suite 350

Denver, CO 80206

(303) 370-0055

[www.pcm-inc.com](http://www.pcm-inc.com)

March 31, 2012

This Brochure provides information about the qualifications and business practices of Private Capital Management [“PCM”]. If you have any questions about the contents of this Brochure, please contact us at (303) 370-0055. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Private Capital Management is an investment adviser registered with the SEC. That an Investment Adviser is registered does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Private Capital Management also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## **Item 2 – Material Changes**

On July 28, 2010, the United States Securities and Exchange Commission (“SEC”) published “Amendments to Form ADV” that amends the required form and content of the disclosure document we provide to you. This Brochure, dated March 31, 2012, is a new document prepared according to the SEC’s new requirements. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, under this Item heading, we will discuss only specific material changes that we have made to the Brochure, and provide you with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past, we have offered or delivered information about our qualifications and business practices to you on at least an annual basis. Pursuant to new SEC 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 fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, you can request a copy of our Brochure by contacting Jennifer Jordan, Administrative Assistant at (303) 370-0055. Our Brochure is available accessing it on our web site, [www.pcm-inc.com](http://www.pcm-inc.com), free of charge.

Additional information about us is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with PCM who are registered, or are required to be registered, as our investment adviser representatives.

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## Item 4 – Advisory Business

- a. We are an independent, employee-owned registered investment adviser founded in 1994 by Thomas E. Meade (Chief Investment Officer and President). We have been registered with the SEC since 2000. Our headquarters and sole office is located in Denver, Colorado. Tom Meade owns 59% of the equity interest in the company.
- b. Our clients include individuals, small businesses, institutions, endowments and foundations. We provide full-time investment management of diversified portfolios composed of no load mutual funds, ETFs and other publically traded investments. Unless you specify otherwise, we will manage your account on a discretionary basis. Our discretionary authority is limited as follows: (i) we will not withdraw funds or securities from your account other than the funds to pay the investment adviser fees you authorize us to withdraw in your contract with us; and (ii) we may place purchase and sale orders only with respect to mutual funds, stocks, bonds, government securities, exchange traded funds and options.
- c. Relying on our proprietary fund selection system and the investment philosophy we have developed in the more than 50 years of our combined investment experience, our investment team strives to:
  - ◆ place client assets in funds that excel within their asset classes;
  - ◆ adjust the allocation of assets within broad investment categories based on perceived market opportunities; and
  - ◆ outperform benchmark indexes over the long run.

Each month, we screen a large universe of mutual funds in an effort to find the best investment managers. Potential candidates are then rated according to a proprietary quantitative ranking system we developed and implemented January 1, 2003. Ranking criteria include both technical and fundamental indicators, such as cumulative returns over varying time periods, volatility, bear market performance, and rankings by leading investment analysis services such as Thompson Reuters. We also use qualitative data gained from our meetings with selected fund managers at various locations across the country. This provides more in-depth insight into the funds' processes and ability to achieve returns consistent with your goals and objectives.

- d. New client relationships start with our assessment of your individual situation. This includes going over topics such as your financial position, current assets, investing experience and risk tolerance. Any concerns or constraints you have should be discussed as well as your need for liquidity and life events including your time horizon. Armed with an understanding of your situation, we will help develop a proposed asset allocation based on your unique needs, goals and risk tolerance. While asset allocation decisions are made with long term objectives in mind, you have the flexibility to change your allocations at any time. Once an asset allocation plan has been adopted, we use our

proprietary quantitative mutual fund ranking model and in-depth fundamental research to select best in class managers within each asset class.

- e. We do not offer wrap fee programs.
- f. As of December 31, 2011, we managed \$152.19 million of client assets on a discretionary basis. \$0.00 million in client assets were managed on a non-discretionary basis.

## Item 5 – Fees and Compensation

Our fees for our investment advisory services are negotiable based on the size and complexity of your account. The specific manner in which we charge our fees is established in your written agreement with us. Typically, our fees are based on a percentage of your total assets under our management. Our basic annual percentage fee varies from 0.5% to 1.25% of assets under management. Unless we agree to it otherwise, our minimum annual fee is \$1,500.

In addition, we may charge an hourly fee of \$250 for portfolio review and analysis if the below fee schedule is not applied to your account.

Our basic annual fee structure is as follows:

Minimum Fee: \$1,500

Graduated Fee:

i.	\$250,000 or less	1.25%
ii.	\$250,000 to \$1,000,000	1.00%
iii.	\$1,000,001 to \$3,000,000	0.90%
iv.	\$3,000,001 to \$5,000,000	0.80%
v.	\$5,000,001 and over	0.70%
vi.	All Fixed Income Investments	0.50%

- a. You pay our management fee quarterly in advance. Our management fees are deducted directly from your account unless you request to pay your management fees by check. Our relationship may be terminated at any time by either of us, by providing written notice of termination to the other party. If you terminate our services prior to the end of a quarter, any fees you prepaid that we have not yet earned will be refunded to you on a *pro rata* basis, *i.e.*, based on the number of days that have elapsed in the quarter in which termination occurs.
- b. In addition to our management fee, you may incur certain charges imposed by custodians, such as transfer fees, wire transfer and electronic fund transfer fees, and other fees and taxes on

your brokerage accounts and securities transactions. Mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in their fund prospectus.

- c. As discussed in Item 5(a) above, we ask that you pay your quarterly management fees in advance. If you terminate your agreement with us prior to the end of the first quarter, any fees you prepaid that we have not yet earned will be refunded to you on a *pro rata* basis, *i.e.*, based on the number of days that have elapsed in the quarter in which termination occurs.
- d. No one at our firm receives compensation for selling securities or other investment products.

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

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of your assets under our management).

## **Item 7 – Types of Clients**

We provide portfolio management services to individuals, small businesses, corporate pension and profit-sharing plans, charitable institutions, trusts, estates and foundations.

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

- a. We provide full-time investment management of diversified portfolios composed of no load mutual funds. We find that no load mutual funds offer straightforward diversification across asset classes, geographies and investment styles.

Each month, we screen a large universe of mutual funds in an effort to find the best investment managers. We then rate potential investment candidates according to our proprietary quantitative ranking system and the investment philosophy we developed over more than 50 years of combined investment experience, a system we implemented January 1, 2003. Ranking criteria include both technical and fundamental indicators, such as cumulative returns over varying time periods, volatility, bear market performance, and rankings by leading investment analysis services such as Thompson Reuters. We also use qualitative data we gain meeting with selected fund managers at various locations across the country. This provides us more in-depth insight into the funds' processes and the ability to achieve returns consistent with your goals and objectives.

Through our proprietary fund selection system, our investment team strives to:

- ◆ place client assets in funds that excel within their asset classes,
- ◆ adjust the allocation of assets within broad investment categories based on perceived market opportunities, and

- ◆ outperform benchmark indexes over the long run.

Investing in securities involves risk of loss that you should be prepared to bear.

- b. Our Investment approach is an actively managed investment process. As such, our portfolios may have an above-average turnover rate in volatile markets. This could have a negative impact on the net after-tax gain in your taxable account. You should not assume that the future performance of any specific investment, investment strategy (including the investments and/or investment strategies we recommend), will be profitable or equal to past performance levels. Economic factors, market conditions and investment strategies will affect the performance of any portfolio and we can make no assurances that our performance will match or outperform any particular benchmark for measuring the performance of a portfolio.

Investing in mutual funds involves risk, including possible loss of principal. Investing in the commodities markets through commodity-linked funds will subject the portfolios to potentially greater volatility than traditional securities. International investments could subject our portfolios to greater risks including currency fluctuation, economic conditions and different governmental and accounting standards. Emerging markets investments involve heightened risks related to these same factors as well as increased volatility and lower trading volume. Investments in underlying funds that own small- and mid-capitalization companies may be more vulnerable than larger, more established organizations. In general, the bond market is volatile, bond prices rise when interest rates fall and *vice versa*, an effect that is usually pronounced for longer-term securities. The cost of investing in a PCM-managed portfolio will be higher than the cost of investing directly in the underlying funds, and may be higher than other mutual funds that invest directly in stocks and bonds.

## Item 9 – Disciplinary Information

- a. Neither Private Capital Management, nor anyone associated with us, has been the subject of any civil or criminal actions.
- b. Neither Private Capital Management, nor anyone associated with us, has been the subject of any administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.
- c. Neither Private Capital Management, nor anyone associated with us, has been the subject of any proceedings before any self-regulatory organization.

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

- a. No individual associated with us is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- b. No individual associated with us is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading advisor.
- c. Private Capital Management does not have any “related parties.” We are an independent, “stand alone” company. We do not have a relationship with any related parties.
- d. Private Capital Management only receives compensation directly from our advisory clients. We do not receive compensation from any outside source. We do not have any conflicts of interest with any outside party.

## **Item 11 – Code of Ethics**

- a. We have adopted a Code of Ethics for all our “supervised persons” in which we describe our high standard of business conduct, and fiduciary duty to you and our other clients. The Code of Ethics includes, among other things, mandates for the confidentiality of your personal and financial information, a prohibition on insider trading and rumor-mongering, restrictions on accepting significant gifts and a requirement that we must report receipt of certain gifts and substantive free entertainment, and restrictions and reporting requirements concerning personal securities trading. All our supervised persons must acknowledge the terms of our Code of Ethics annually, and whenever we amend it.
- b. Our employees and other people associated with us are required to follow our Code of Ethics. Subject to satisfying this policy and applicable laws, our officers, directors and employees are allowed to trade for their own accounts in securities that we also recommend to and/or purchase for you or other clients. Our Code of Ethics is designed to assure that any of our personal securities transactions, activities and interests do not interfere with: (i) making investment recommendations and decisions for your account that are in your best interest and the best interests of our other advisory clients; and (ii) implementing such investment recommendations and decisions for your account while, at the same time, allowing us to invest for our own accounts.
- c. On occasion, one or more of our employees and other people associated with us may buy or sell securities that we also recommend to you and other of our clients. There will be no conflict of interest with respect to such transactions, because the securities we buy or sell on your behalf or for our other clients will be widely held and publicly traded. Transactions engaged in by our employees



and other people associated with us are continually monitored under our Code of Ethics. This helps assure that we reasonably prevent conflicts of interest between your interests and ours.

- d. You may request a copy of our Code of Ethics by contacting Jennifer Jordan, Administrative Assistant.
- e. We do not affect any principal or agency cross securities transactions for our client accounts.

## **Item 12 – Brokerage Practices**

- a. It is our policy that if you wish to employ our services, you must select either Charles Schwab & Co. or Fidelity Investments as the broker-dealer to hold your account assets as “custodian.” Our policy is based on the costs, skills, reputation, dependability, possible research services and compatibility we believe either of these two firms can provide to you as an account holder. These custodians offer numerous features to you such as check writing, automated money transfers, debit and credit cards, margin accounts and online research. We feel this custody arrangement offers you robust services as well as safety and reliability. We are independently owned and operated, and we are not affiliated with Schwab or Fidelity in any way. As long as our clients maintain a minimum level of assets at Schwab or Fidelity, as may be, they each provide us access to institutional trading and custody services, access typically not available to retail investors. We believe this to be very advantageous in our management of your assets.

As your fiduciary, we endeavor to act in your best interests, and base our selection of broker-dealers on the nature, cost and quality of custody and brokerage services they provide. Products and services offered by these broker-dealers enable us to provide high quality service to you at competitive costs, to your further benefit.

1. Research and Other Soft Dollar Benefits. Effective December 10, 2007, we received a “courtesy” discount of \$1,417 on our purchase of the PortfolioCenter® Enhanced Reporting Module from Schwab Performance Technologies®, a subsidiary of the Charles Schwab Corporation. Subsequently, we have received an annual “courtesy” discount of up to \$2,500 on the maintenance of our PortfolioCenter® service. Other than this instance, we neither seek nor receive “soft dollars” in connection with any transactions we place with broker-dealers.
2. Brokerage for Client Referrals. We do not take referrals of clients to us made by broker-dealers into consideration in selecting to which broker-dealer we will send our brokerage transactions. We use the broker-dealers that provide us and you best execution.
3. Directed Brokerage. We do not enter into agreements to direct brokerage transactions to any broker-dealer. We use the broker-dealers that provide us and you best execution.

### **Item 13 – Review of Accounts**

- a. At a minimum, Tom Meade or another PCM employee reviews your account each calendar quarter. Tom or another PCM employee also reviews accounts on a portfolio analysis basis.
- b. We will also review your account if you request that we do so, or if you report a significant change in your life and/or financial affairs.
- c. You will be sent statements by your broker-dealer. In addition, we prepare supplementary written reports for you on the status of your account, usually on a quarterly basis. The content and frequency of such reports often depends on the requirements set up in your advisory agreement.

### **Item 14 – Client Referrals and Other Compensation**

- a. No one associated with us receives any economic benefit, sales awards or other prizes from any outside parties in connection with our providing investment advice to you.
- b. People who refer clients to investment advisers are called solicitors. In our discretion, from time to time, we may compensate various solicitors for referring clients to us. How much we pay a solicitor for such a referral is determined on a case by case basis, usually based on a percentage of investment advisory fees paid by the client referred to us by quarter. We pay any solicitor fees out of the fees we charge our clients, but we do not increase the fee charged to you because a solicitor referred you to us. Our use of solicitors is strictly governed by SEC Rule 206(4)-3 under the Investment Advisers Act of 1941.

### **Item 15 – Custody**

Pursuant to our investment advisory agreement with you, we have authority to debit fees directly from your brokerage account. This is a very common practice among investment advisers. Under the law, an investment adviser that has access to his client accounts to debit fees means the investment adviser has “custody” of client funds and securities, which is generally prohibited. We are permitted to have such access and to deduct fees from your account because both we and your broker-dealer independently send you account statements at least quarterly. We urge you to carefully review and compare both statements. Each statement will include the amount we charged and how much was deducted. Our statements may vary from the broker-dealer’s custodial statements based on their accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

To undertake our new relationship with you, we start by assessing your individual situation. This includes going over topics such as your financial position, current assets, investing experience and risk tolerance. Any concerns or constraints you have should be discussed as well as your need for liquidity and life events including your time horizon. Prior to entering into the Investment Advisory Contract, we also provide to you our current Form ADV Part 2A and Part 2B. You confirm this by signing it. In entering into the Contract, you have expressly given us the limited discretionary investment authority over the assets held in the account we manage for you to invest your assets and deduct fees from your account.

## **Item 17 – Voting Client Securities**

As a matter of firm policy and practice, we do take responsibility for and do not vote proxies on your behalf. You retain the responsibility for receiving and voting proxies for any and all securities maintained in your portfolios. We pass on proxies to you if we receive them. From time to time, we may provide advice to you as to how we think you should vote a particular proxy if we have strong feelings on the subject, although whether to vote and how to vote remain entirely your own decision.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about our financial condition. We are the subject of no financial commitment that impairs our ability to meet the contractual and fiduciary commitments to you and our other clients. We do not require prepayment of fees more than three months in advance, and have not been the subject of a bankruptcy proceeding.



PRIVATE CAPITAL MANAGEMENT, INC.

## **ADV Part 2B – Brochure Supplement**

Thomas E. Meade

Chief Investment Officer & President

250 Steele Street, Suite 350

Denver, CO 80206

(303) 370-0055

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March 31, 2012

*This brochure supplement provides information about Thomas E. Meade that supplements the Private Capital Management brochure. A copy of that brochure precedes this supplement. Please contact Jennifer Jordan, Administrative Assistant, if the Private Capital Management brochure is not included with this supplement or if you have any questions about the contents of this supplement.*

*Additional information about Thomas E. Meade is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **Item 2: Educational Background and Business Expertise**

Thomas Earl Meade is the Founder, President and Chief Investment Officer at PCM. Tom was born in 1941 and received a BA in history from the University of Virginia in 1963. Prior to starting Private Capital Management in 1994, Tom was the President of Fidelity Brokerage Services, a division of Fidelity Investments. Before joining Fidelity, he was the President of Kemper Securities and also served on the Board of Kemper Financial Companies. Preceding his time with Kemper, Tom was the Chairman, President and CEO of Boettcher & Co. He joined A.G. Edwards & Sons in 1972 and left the firm as a Vice President, member of the Executive Committee and Board of Directors. Tom served on the Board of Governors of the National Association of Securities Dealers.

## **Item 3: Disciplinary Information**

- a. Tom has not been the subject of any civil or criminal actions.
- b. Tom has not been the subject of any administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.
- c. Tom has not been the subject of any proceedings before any self-regulatory organization.
- d. Tom has not been the subject of any proceedings in which his professional attainment, designation, or license was revoked or suspended.

## **Item 4: Other Business Activities**

- a. Tom is not engaged in any investment-related businesses outside of Private Capital Management, nor does he have any applications pending to register or become associated with any broker-dealer or other investment-related firm. Tom does not receive any commissions, bonuses or other compensation based on the sale of securities or other investment products.
- b. Tom does not engage in any other business that provides a substantial source of his income or consumes a substantial portion of his time.

## **Item 5: Additional Compensation**

Tom receives no additional compensation. All PCM compensation is derived from advisory fees.

## **Item 6: Supervision**

Tom is our Chief Investment Officer and President of PCM. He is also our Chief Compliance Officer. Tom's phone number is (303) 370-0055. Tom coordinates the investment advice provided to our clients. Ultimately, Tom is responsible for supervision of all individuals providing investment advice to our clients. Given the small number of our clients and employees, this is done on an individual client basis.



PRIVATE CAPITAL MANAGEMENT, INC.

## **ADV Part 2B – Brochure Supplement**

Mary Rickerson Meade

Director of Human Resources

250 Steele Street, Suite 350

Denver, CO 80206

(303) 370-0055

[www.pcm-inc.com](http://www.pcm-inc.com)

March 31, 2012

*This brochure supplement provides information about Mary R. Meade that supplements the Private Capital Management brochure. A copy of that brochure precedes this supplement. Please contact Jennifer Jordan, Administrative Assistant, if the Private Capital Management brochure is not included with this supplement or if you have any questions about the contents of this supplement.*

## **Item 2: Educational Background and Business Expertise**

Mary Rickerson Meade is Director of Human Resources and is in charge of the accounting for PCM. After having been a top producing broker in the residential real estate business for 25 years, Mary joined our team in 1999. Born in 1945, Mary attended Northern Illinois University and graduated from Barnes Business College in Chicago, afterwards working at Needham Harper & Steers advertising agency. She held one of only two civilian administrative jobs available on the U. S. Army post in Erlangen, Germany in 1968-1969.

## **Item 3: Disciplinary Information**

- a. Mary has not been the subject of any civil or criminal actions.
- b. Mary has not been the subject of any administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.
- c. Mary has not been the subject of any proceedings before any self-regulatory organization.
- d. Mary has not been the subject of any proceedings in which her professional attainment, designation, or license was revoked or suspended.

## **Item 4: Other Business Activities**

- a. Mary is not engaged in any investment-related businesses outside of Private Capital Management, nor does she have any applications pending to become associated with any broker-dealer or other investment firm. Mary does not receive any commissions, bonuses or other compensation based on the sale of securities or other investment products.
- b. Mary does not engage in any other business that provides a substantial source of her income or consumes a substantial portion of her time.

## **Item 5: Additional Compensation**

Mary receives no additional compensation. All PCM compensation is derived from advisory fees.

## **Item 6: Supervision**

Mary is supervised by Tom Meade, our Chief Investment Officer, President and Chief Compliance Officer. Tom's phone number is (303) 370-0055. Tom coordinates investment advice we provide to our clients. Ultimately, Tom is responsible for supervision of all individuals providing investment advice to our clients. Given the small number of our clients and employees, this is done on an individual client basis.





PRIVATE CAPITAL MANAGEMENT, INC.

## **ADV Part 2B – Brochure Supplement**

Justin R. Apt

Vice President

250 Steele Street, Suite 350  
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March 31, 2012

*This brochure supplement provides information about Justin R. Apt that supplements the Private Capital Management brochure. A copy of that brochure precedes this supplement. Please contact Jennifer Jordan, Administrative Assistant, if the Private Capital Management brochure is not included with this supplement or if you have any questions about the contents of this supplement.*

## **Item 2: Educational Background and Business Expertise**

Justin R. Apt is a Managing Partner and member of the Investment Committee. His primary role includes working with our clients, maintaining our quantitative model and business development. Prior to joining PCM in 2010, Justin was an Investment Committee Member, Portfolio Manager and Head Trader at Palo Alto-based Nelson Capital Management, LLC, a wholly owned subsidiary of Wells Fargo. His primary responsibilities included Asset Allocation and Fixed Income strategy research. Preceding his time with Nelson Capital, he was an Investment Committee Member and Head Trader with Beekman Capital Management, LLC in Santa Fe, NM. Justin started his career with a Denver-based boutique research firm in 2002. Born in 1980, he holds a Bachelor of Science in Business Administration (Finance) and a Bachelor of Accounting from The Daniels College of Business at the University of Denver. He is a Level III candidate in the CFA Program.

## **Item 3: Disciplinary Information**

- a. Justin has not been the subject of any civil or criminal actions brought against him.
- b. Justin has not been the subject of any administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.
- c. Justin has not been the subject of any proceedings before a self-regulatory organization.
- d. Justin has not been the subject of any proceedings in which his professional attainment, designation, or license was revoked or suspended.

## **Item 4: Other Business Activities**

- a. Justin is not engaged in any investment-related businesses outside of Private Capital Management, nor does he have any applications pending to become associated with any broker-dealer or other investment firm. Justin does not receive any commissions, bonuses or other compensation based on the sale of securities or other investment products.
- b. Justin does not engage in any other business that provides a substantial source of his income or consumes a substantial portion of his time.

## **Item 5: Additional Compensation**

Justin receives no additional compensation. All PCM compensation is derived from advisory fees.

## **Item 6: Supervision**

Justin is supervised by Tom Meade, our Chief Investment Officer, President and Chief Compliance Officer. Tom's phone number is (303) 370-0055. Tom coordinates investment advice provided to our clients. Ultimately, Tom is responsible for supervision of the individuals providing investment advice to our clients. Given the small number of clients and employees at PCM, this is done on an individual client basis.