



Pacific Value, LLC

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### **Form ADV Part 2A Brochure**

This Form ADV Part 2A brochure provides information about the qualifications and business practices of Pacific Value, LLC. If you have any questions about the contents of this brochure, please contact us at 208-331-2315 or [mark@pacificvalue.net](mailto:mark@pacificvalue.net). 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 Pacific Value, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Pacific Value, LLC is a registered investment advisor. Registration as an investment advisor does not require any certain level of skill or training.

### **Material Changes (Item 2)**

*This section of the brochure helps you quickly identify material changes from the last annual update.*

This version of Pacific Value, LLC Form ADV Part 2 is in a new narrative format. Please review all parts of it because it describes important details about us and the services we provide.

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## **Advisory Business (Item 4)**

*This section of the brochure tells you about our business, including ownership, and a description of the services we offer.*

Pacific Value, LLC is referred to in this document as “Pacific Value”, “the Company”, “us”, “we”, or “our”. In this document we refer to current and prospective clients of Pacific Value as “you”, “client”, or “your”. Pacific Value was created in 2008 and is owned by two holding companies, Fredback Capital, Inc. and Ferguson Capital, Inc. Fredback Capital, Inc. is owned and controlled by Mark Fredback. Ferguson Capital, Inc. is owned and controlled by Scott Ferguson.

### **Types of Advisory Services**

#### Investment Supervisory Services

All of our clients enter into a written Investment Advisory Agreement, where Pacific Value and our investment adviser representatives provide asset management services on a continuous and ongoing basis guided by the individual needs of the client. Using the information provided by you, the investment advice provided to you is tailored to your individual situation. We regularly inquire about, and you are responsible for providing, information about your investment goals, time horizon, and risk tolerance. These investment supervisory services are generally not provided to all your holdings or net worth but rather only to assets specifically designated by you and agreed to by us as managed assets.

### **Types of Investments Used**

We consider many different types of securities when formulating the investment advice we give to you. If you come to us with existing investments, we evaluate them with respect to your financial goals, risk tolerance, and investment time horizon. Depending upon your situation, your account(s) managed by us may contain individual stocks, corporate and/or government bonds, municipal securities, mutual funds, exchange traded funds (“ETFs”), commercial paper, certificates of deposit, or interests in real estate and oil and gas partnerships.

#### Options

In some, but not all cases, Pacific Value may use option contracts on securities in your managed portfolio. Option strategies are not used in all client portfolios. The use of option strategies is not always successful at increasing return or reducing losses. The use of options adds risk and cost to the portfolio. Option strategies can diminish account performance.

### **Tailored Services and Investment Restrictions**

We attempt to tailor your investment portfolio to your situation as you have described it to us. This is why it is so important that you let us know about changes to your financial situation, goals, or investment time horizon. You may impose restrictions on investing in

certain securities or types of securities. You must clearly identify these restrictions in writing to us.

## **Assets Under Management**

As of January 18, 2012, Pacific Value manages approximately \$155,000,000 of client assets all on a discretionary basis.

## **Fees and Compensation (Item 5)**

*This section of the brochure describes how we are compensated for the services we offer.*

### **Compensation Methodology and Rates**

#### Assets Under Management

Some clients are charged for our asset management services based on a percentage of the assets being managed. The following fee schedule is a sample of our fee schedule for investment supervisory services. Your specific annual fee arrangement will be described in the written Investment Advisory Agreement entered into between Pacific Value and you. Investment advisory fees charged by us are negotiable at our sole discretion. All clients do not pay the same fee.

<b>Assets Under Management</b>	<b>Annual Rates</b>
\$0 to \$299,999	1.40%
\$300,000 to \$499,999	1.15%
\$500,000 to \$2,000,000	1.00%
Over \$2,000,001	Negotiable

The annual fee for our services is billed quarterly, in advance, based on the value of the account at the end of the quarter. If the management agreement does not span the entire quarterly billing period, the fee will be pro-rated based on the number of days the account is open during the billing period. Your account custodian will send client statements, at least quarterly, showing all disbursements for the account including the amount of the advisory fee, if deducted directly from the account. It is the shared responsibility of Pacific Value and you to verify the accuracy of the fee calculation as the account custodian will not determine whether the fee has been properly calculated. See Brokerage Practices (Item 12) in this brochure for more information about your account custodian(s).

You may terminate the Investment Advisory Agreement without fee or penalty by providing written notice to Pacific Value within five (5) business days from the execution of the agreement. Thereafter, either party may terminate the Investment Advisory Agreement by providing written notice. Any fees collected in advance of services being performed will be returned to you on a pro rata basis.

### Valuation of Publicly Traded Securities

Publicly traded securities in your account(s) managed by us are held at the custodian that we recommend, but is ultimately chosen by you. We use the securities valuation provided by the independent qualified custodian for reporting and billing purposes. Publicly traded securities are usually valued as of the end of business on the last trading day of the calendar quarter.

### **How Clients Pay Advisory Fees**

Fees are generally deducted directly from your account. You must provide your qualified account custodian with written authorization to have fees deducted from the account and paid to Pacific Value.

### **Other Types of Fees and Expenses**

In addition to the investment advisory fees you pay to us, you will pay transaction fees (commissions) to your custodian or broker-dealer for executing securities transactions and charges for special services elected by you or Pacific Value. These fees may include:

- periodic distribution fees
- electronic fund and wire transfer fees
- certificate delivery fees
- reorganization fees
- account transfer fees (outbound)
- returned check fees
- international security transfer fees
- overnight mail and check fees
- Rule 144 transfer fees
- transfer agent fees

This list is not meant to be all inclusive. Any fee on a special service incurred by the client will be fully disclosed. Please refer to Item 12 of this document for an explanation of our brokerage practices.

### Investment Company Fees

Investment company funds (e.g., mutual funds or ETFs) that are held by you will bear their own internal transaction and execution costs, as well as directly compensate their investment managers along with internal administrative services. Some funds pay 12b-1 fees, distribution fees, and/or shareholder service fees to broker-dealers that offer investment company funds to their clients. These fees affect the net asset value of the fund shares and are indirectly borne by fund shareholders such as you.

Some fund companies have imposed a redemption fee. A redemption fee is another type of fee that some funds charge their shareholders when shares are sold or redeemed within a short period of time from the purchase of the fund shares. Although a redemption fee is deducted from redemption proceeds just like a deferred sales load, it is not considered to be a sales load. Unlike a sales load, which is generally used to compensate brokers, a

redemption fee is typically used to defray fund costs associated with a shareholder's redemption and is paid directly to the fund, not to a broker. The SEC generally limits redemption fees to 2%. In most cases, the funds will use the "first-in, first-out" (FIFO) method to determine the holding period. Under this method, the date of the redemption will be compared with the earliest purchase date of shares held in the account. While it is not the general practice of Pacific Value to sell client's securities in a period that would generate a redemption fee we might do so if we believe the sale is in your best interests, or if fund shares must be redeemed to pay fees from the account.

A complete explanation of these charges is contained in the Prospectus and Statement of Additional Information for each investment company fund. You can get a prospectus through the investment company website, by telephone, or by mail.

### **Commission Based Compensation**

Our investment advisor representatives do not receive any commission based compensation while providing investment advisory services to you.

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

*This section of the brochure explains any performance-based fees we may charge you for and how they may be different from other clients' charges.*

Pacific Value does not charge fees that are based upon a share of capital gains or capital appreciation of client assets.

### **Side-By-Side Management**

We provide investment advisory services to other clients in addition to you. Not all clients receive the same investment advice, nor do they pay the same fee. We strive to act in the best interests of each of our clients at all times.

## **Types of Clients (Item 7)**

*This section of the brochure describes who we generally provide our services to.*

### **Individuals**

Pacific Value provides advisory services to a variety of types of clients including individuals, trusts, individual's pension plan accounts, and retirement plan trustees.

### **Pension Plans**

Pacific Value provides advisory services to pension plans. These services include recommendations to the plan which are then approved by the pension plan sponsor. In

some cases we will serve as a discretionary advisor to the plan. You are encouraged to ask your plan sponsor what services we are providing the plan.

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

*This section of the brochure explains how we formulate our investment advice and manage client assets.*

### **Methods of Analysis**

We analyze an investment by examining its publically available financial statements or reports, its management, competitive advantages, competitors, and markets. We attempt to identify investments that are selling for less than their intrinsic worth. Our fundamental analysis method is based upon the assumption that markets may misprice an investment in the short run but that the "correct" price will eventually be reached.

### **Investment Strategies**

We use a strategy that emphasizes buying businesses at bargain prices relative to sales, equity, and cash flow. This approach forces us to evaluate the purchase of a stock based on the value of the overall company. We are long-term investors with a typical 3-5 years or longer time horizon. If there are very few values to be found we are comfortable holding cash.

### **Risks**

#### General Risks to Investing

Investing is not without risk, and involves the risk of loss of principal which you should be prepared to bear. We use several strategies to try to reduce risk, including diversifying a portfolio across multiple asset classes; buying securities we believe are undervalued, closely monitoring the portfolio for changes in fundamentals.

Despite these strategies, historical evidence clearly shows that every asset class has experienced severe declines in value—sometimes sustained over many years— throughout several periods of time in history. In addition, each of our strategies to minimize risk may not achieve that goal as the benefits of diversification decline if asset classes become more correlated; determining valuation depends on accurately forecasting outcomes that may ultimately differ with our projections; security prices can change materially when exchanges are closed due to company-specific news or changes in macroeconomic or geopolitical conditions.

As with any investment, you could lose all or part of your investments managed by Pacific Value, and your account's performance could trail that of other investments.



### Equity Securities Risk

Equity securities are subject to changes in value that may be attributable to market perception of a particular issuer or general stock market fluctuations that affect all issuers. Investments in equity securities may be more volatile than other types of investments.

### Management Risk

The performance of your account is subject to the risk that our investment management strategy may not produce the intended results.

### Market Risk

Your account could lose money over short periods due to short-term market movements and over longer periods during market downturns. The value of a security may decline due to general market conditions, economic trends, or events that are not specifically related to the issuer of the security or to factors that affect a particular industry or industries. During a general downturn in the securities markets, multiple asset classes may be negatively affected.

### Smaller Company Securities Risk

Securities of companies with smaller market capitalizations, historically, tend to be more volatile and less liquid than larger company stocks. Smaller companies may have no or relatively short operating histories, or be newly public companies. Some of these companies have aggressive capital structures, including high debt levels, or are involved in rapidly growing or changing industries, or new technologies, which pose additional risks.

### Value Style Investment Risk

Value stocks can perform differently from the market as a whole and from other types of stocks. Value stocks may be purchased based upon the belief that a given security may be out of favor. Value investing seeks to identify stocks that have depressed valuations, based upon a number of factors which are thought to be temporary in nature, and to sell them at superior profits when their prices rise when the issues which caused the valuation of the stock to be depressed are resolved. While certain value stocks may increase in value more quickly during periods of anticipated economic upturn, they may also lose value more quickly in periods of anticipated economic downturn. Furthermore, there is a risk that the factors which caused the depressed valuations are longer term or even permanent in nature, and that there will not be any rise in value. Finally, there is the increased risk that such companies may not have sufficient resources to continue as ongoing businesses, which may result in the stock of such companies becoming worthless.

## **Disciplinary Information (Item 9)**

*This section of the brochure lists legal and disciplinary information for Pacific Value, its owners, and management team.*

Neither Pacific Value nor any of our owners or management team members has been involved in any civil or criminal investment-related events.

## **Other Financial Industry Activities and Affiliations (Item 10)**

*This section of the brochure describes other financial services industry affiliations we may have that could present a conflict of interest with you.*

Pacific Value does not have any material business affiliations within the financial services industry.

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

*This section of the brochure describes our code of ethics, adopted pursuant to SEC rule 204A-1, and how we deal with client and related person trading.*

### **Code of Ethics**

We have adopted a code of ethics designed to prevent and detect violations of securities rules by our employees and affiliated persons. Our controls in this area focus upon securities transactions made by our employees that have access to material information about the trading of Pacific Value. We will provide a copy of our code of ethics to clients or prospective clients upon request.

### **Material Financial Interest and Personal Trading**

From time-to-time the interests of the principals and employees of Pacific Value may coincide with yours and other clients. Individual securities may be bought, held, or sold by a principal or employee of Pacific Value that is also recommended to or held by you or another client. If potential insider information is inadvertently provided or learned by a principal or employee, it is our policy to strictly prohibit its use.

It is the policy of Pacific Value to permit the firm, its employees and investment advisor representatives ("IARs") to buy, sell, and hold the same securities that the IARs also recommend to clients. It is acknowledged and understood that we perform investment services for different types of clients with varying investment goals, risk profiles, and time horizons. As such, the investment advice offered to you may differ from other clients and investments made by our IARs. We have no obligation to recommend for purchase or sale a security that Pacific Value, its principals, affiliates, employees, or IARs may purchase, sell, or hold. When a decision is made to liquidate a security from all applicable accounts, priority will always be given to client orders before those of a related or associated person to Pacific Value. In some cases the trades of the clients and advisory personnel will be combined in a single block trade, and all trades will receive the average price. We have procedures for dealing with insider trading, employee-related accounts, "front running" and other issues that may present a potential conflict when buy/sell recommendations are made. These procedures include reviewing employee security transactions and holdings to eliminate, to the extent possible, the adverse effects of potential conflicts of interest on clients.

## Brokerage Practices (Item 12)

*This section of the brochure describes how we recommend broker-dealers for client transactions.*

### Factors Considered When Recommending Broker-Dealers

We may suggest or recommend that clients use Charles Schwab & Co. Inc. as their qualified custodian and broker dealer. When we make this recommendation, we consider:

- capitalization
- reasonableness of commissions and other costs of trading
- ability to facilitate trades
- access to client records
- computer trading support
- other operational considerations

These factors are reviewed from time to time to assure the best interests of our clients are upheld.

### Research and Other Benefits

We may recommend that clients establish brokerage accounts with Charles Schwab & Co., Inc. (“Schwab” or “the Custodian”) a registered broker-dealer, Member SIPC/NYSE, to maintain custody of clients’ assets and to execute trades for your account(s). The Custodian provides us with access to its institutional trading and operations services, which are typically not available to retail investors. These services are offered to independent investment advisors at no charge in exchange for keeping a minimum amount of account assets at Schwab. The Custodian’s services include research, brokerage, and custody. Schwab offers access to mutual funds and other investments that are available only to institutional investors or require a significantly higher minimum investment. The Custodian also makes other products and services available that benefit us but may not benefit our clients. Some of these other products and services help us manage and administer client accounts, and include software and other technology that:

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts)
- provide research, pricing information, and other market data
- facilitate payment of our fees from your account(s)
- help with back-office support, recordkeeping, and client reporting

These services may be used with all or a substantial number of clients’ accounts, including accounts not maintained at Schwab. We do not attempt to allocate the benefit to accounts proportionately to the accounts that generate the benefit.

Some of the products or services provided by the Custodian do not qualify for the safe harbor in section 28(e) of the Securities Exchange Act of 1934, including those services that do not aid in investment decision-making or trade execution. These business management and development services, in addition to those listed above, may include consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, the Custodian may use independent third parties to offer these services to Pacific Value. Schwab may discount or waive fees it would otherwise charge for some of these business management and development services or pay all or a part of the fees of a third-party providing these services to us. Because we receive discounts, research, products, or services we may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research, products, or services, rather than on the client's interest in receiving most favorable execution. Schwab may charge commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for services and benefits.

#### Brokerage for Client Referrals

Pacific Value does not have any agreements in place where securities transactions are directed to particular broker-dealers in exchange for client referrals.

#### Directed Brokerage

If you direct Pacific Value to execute securities transaction at a broker other than one we use for our other clients you will forgo any benefit from savings on execution costs that we may have obtained through our negotiation of volume discounts or batched orders. In directing the use of a particular broker or dealer, it should be understood that we will not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. You may incur higher commissions, other transactions costs, greater spreads, or receive less favorable net prices, on transactions for your account than would otherwise be the case had you used a broker we prefer.

#### Aggregated Orders

When we decide to purchase or sell a specific security for multiple clients at the same time, we will consider aggregating, or combining the orders. This procedure will result in a single average price for all client transactions in the aggregated order. The account custodian charges for each transaction as if it were placed individually.

#### Allocation of Thinly Traded Securities

We may allocate securities among accounts when enough of a particular security or securities cannot be purchased or sold on a given day at a desired price. In this event, we will allocate the shares actually purchased or sold on *pro rata* basis. We may remove small allocations from the process if we believe it would not be in the best interest of our client(s).

#### Trade Error Policy

From time-to-time we may make an error in submitting a trade order on your behalf. When this occurs, we may place a correcting trade with the broker-dealer which has custody of your account. If an investment gain results from the correcting trade, the gain will remain in your account unless the same error involved other client account(s) that should have

received the gain, it is not permissible for you to retain the gain, or we confer with you and you decide to forego the gain (e.g., due to tax reasons). If the gain does not remain in your account and Charles Schwab & Co., Inc. ("Schwab") is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, Pacific Value will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

## **Review of Accounts (Item 13)**

*This section of the brochure describes how often client accounts are reviewed and by whom.*

### **Reviews**

Pacific Value reviews the securities held in its clients' investment supervisory accounts on an ongoing basis. The reviews are conducted by Mark Fredback, Scott Ferguson, or qualified staff members. Your accounts are reviewed at least quarterly for proper asset allocation to assure they comply with your investment objectives and mandates. More frequent reviews may be triggered by a change in your investment objectives, tax considerations, large deposits or withdrawals, large sales or purchases, loss of confidence in corporate management, or changes in the macro-economic climate.

### **Reports**

Pacific Value prepares and distributes generic written reports on representative investments we recommend to clients each quarter. We have also arranged for Charles Schwab & Co., Inc. to prepare and distribute monthly account statements directly to you. These account statements describe all activity in your account(s) including account holdings, transactions, and investment advisory fees deducted from your account(s).

## **Client Referrals and Other Compensation (Item 14)**

*This section of the brochure discloses our arrangements with people who are compensated for referring us business.*

Pacific Value has not entered into any agreements with third parties to give or receive referrals for compensation.

## **Custody (Item 15)**

*This section of the brochure encourages you to check the statements sent to you by your account custodian to ensure the accuracy of the fee calculation.*

You have authorized us to deduct periodic investment advisory fees directly from one or more of your accounts managed by Pacific Value. These deductions from your account are

shown on the periodic statements sent by Charles Schwab & Co., Inc. directly to you. You are encouraged to review these statements carefully and compare the amounts on the custodian statements with any statements we send and the fee schedule outlined in your Investment Advisory Agreement.

## **Investment Discretion (Item 16)**

*This section of the brochure discloses the power we have to make trades in your account.*

You grant Pacific Value a limited power of attorney to select, purchase, or sell securities without obtaining your specific consent within the account(s) you have under our management. The limited powers of attorney are granted in the written Investment Advisory Agreement entered into between us. There are no restrictions upon the securities that may be purchased, sold, or held in your account unless you provide these restrictions to us in writing.

## **Voting Client Securities (Item 17)**

*This section of the brochure explains our proxy voting policy and your ability to get proxy voting information from us.*

Pacific Value does not vote proxies for securities held in your investment account. Your account custodian or transfer agent will send proxy statements directly to you. If the investment account is for a pension or other employee benefit plan governed by ERISA, you direct us not to vote proxies for securities held in the account, because the right to vote such proxies is expressly reserved for you or your plan fiduciary not Pacific Value.

## **Financial Information (Item 18)**

*This section of the brochure is where investment advisors that collect more than \$1200 in fees per client, six months or more in advance would include a balance sheet.*

Pacific Value is not aware of any circumstance that is reasonably likely to impair our ability to meet contractual commitments to you or our other clients.

## **Prepayment of Fees**

Pacific Value does not require pre-payment of investment advisory fees of greater than \$1200 more than six months in advance.

## **Privacy Statement**

*We, like other professionals who advise on personal financial matters, are required by federal law to inform our clients of their policies regarding the privacy of client information.*

In the course of providing our clients with certain advice, we may receive nonpublic personal financial information such as financial statements, account statements, and tax returns from our clients, their accountants and other representatives. All nonpublic personal information that we receive regarding our clients or former clients is held in strict confidence in accordance with our professional obligations, and is not released to people outside Pacific Value, except with your consent, as required by law or to explain our actions to professional organizations that we are members of. We may share certain information with third parties who assist us in providing our services to you (such as administrative and client service functions) or marketing services, as permitted by law, subject to the obligation of these third parties not to use or disclose such information for any other purpose.

We retain records relating to professional services that we provide so that we are better able to assist you with your professional needs and, in some cases to comply with professional guidelines. In order to guard your nonpublic personal information from unauthorized disclosure, we maintain physical, electronic, and procedural safeguards.