

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

**Pacific Ridge Capital Partners, LLC**

4949 Meadows Road, Suite 125  
Lake Oswego, OR 97035

Telephone: 503-886-8970

Fax Number: 503-886-8995

Email: [Peter.Trumbo@PacificRidgeCapital.com](mailto:Peter.Trumbo@PacificRidgeCapital.com)

Web Address: [www.PacificRidgeCapital.com](http://www.PacificRidgeCapital.com)

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This brochure provides information about the qualifications and business practices of Pacific Ridge Capital Partners, LLC. If you have any questions about the contents of this brochure, please contact Peter Trumbo, Manager and Chief Compliance Officer of Pacific Ridge Capital Partners, LLC at phone number 503-886-8970 or e-mail [Peter.Trumbo@PacificRidgeCapital.com](mailto:Peter.Trumbo@PacificRidgeCapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Pacific Ridge Capital Partners, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 152154.

## **Item 2    Material Changes**

The last annual update to our brochure was made on March 26, 2013. The following items summarize material changes to our brochure since our last update.

Page 4, Item 4: Pacific Ridge Capital Partners, LLC has reverted to SEC registration.

Page 5, Item 4: Private Investment Funds updated to reflect the name change of Pacific Ridge SC-E Continuation Fund LLC to Pacific Ridge Small Cap Value Fund LLC, and the name change of Pacific Ridge Small Cap Value Fund LLC to Pacific Ridge Opportunity Fund LLC and updated investment strategy for this fund.

Page 7, Item 5: Fees and Compensation updated to reflect the name changes of the aforementioned private investment funds.

Page 17, Item 19: This section has been removed as it is no longer applicable.

Page 7, Item 4: Amount of Managed Assets was updated as of May 21, 2013.

<b>Item 3</b>	<b>Table of Contents</b>	<b>Page</b>
Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	7
Item 6	Performance-Based Fees and Side-By-Side Management	9
Item 7	Types of Clients	9
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	9
Item 9	Disciplinary Information	11
Item 10	Other Financial Industry Activities and Affiliations	11
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	11
Item 12	Brokerage Practices	12
Item 13	Review of Accounts	14
Item 14	Client Referrals and Other Compensation	15
Item 15	Custody	15
Item 16	Investment Discretion	16
Item 17	Voting Client Securities	16
Item 18	Financial Information	17

## **Item 4    Advisory Business**

Pacific Ridge Capital Partners, LLC ("PRCP") is an SEC-registered investment adviser with its principal place of business located in Lake Oswego, Oregon. Pacific Ridge Capital Partners, LLC began conducting business in 2010.

The firm's principal shareholder (i.e., those individuals and/or entities controlling 25% or more of this company) is listed below.

- Pacific Ridge Holdings, LLC

Pacific Ridge Capital Partners, LLC offers the following advisory services to our clients:

### **PORTFOLIO MANAGEMENT SERVICES**

The main focus of our firm is offering investment management services to predominantly institutional or high net worth individual clients utilizing the Small Cap and Micro Cap model portfolios. Each model portfolio is designed to meet a particular investment goal. PRCP will manage these separate accounts on a discretionary basis.

**Small Cap portfolio:** Containing mostly equity securities, but may also invest in some convertible debt and warrants. The Small Cap portfolio typically contains 120-160 holdings, with equity securities having market capitalizations similar to those in the bottom three-quarters of the Russell 2000<sup>®</sup> Index.

**Micro Cap portfolio:** Containing mostly equity securities, but may also invest in some convertible debt and warrants. The Micro Cap portfolio typically contains 50-80 holdings, with equity securities having market capitalizations similar to those in the Russell Microcap<sup>®</sup> Index.

Through discussions with the client or the client's representative, in which the client's goals and objectives are established, we will determine which of its model portfolios is suitable to the client's particular circumstances or which of the Funds, as noted below, would be most appropriate.

Separately managed clients will have the opportunity to place reasonable restrictions on the types of investments to be held in the client's account. Clients will retain an undivided, individual ownership of all account securities. We will maintain current client suitability information in the client's file in order to ensure that our initial determination of an appropriate investment plan continues to be suitable and that the client's account continues to be managed in a manner appropriate to the client's financial circumstances.

The annual fee for Portfolio Management Services in the Small Cap portfolio is 1.00% of assets under management, with a minimum separate account size of \$3 million. The annual fee for Portfolio Management Services in the Micro Cap portfolio is 1.50% of assets under management, with a minimum separate account size of \$3 million. These minimum account size and fee requirements may be negotiable under certain circumstances. We may group certain related client accounts for the purposes of achieving the minimum account size and

determining the annualized fee. Nevertheless, from time to time our minimum separate account size may require that the firm decline to accept particularly small accounts.

## **PRIVATE INVESTMENT FUNDS**

We also provide investment management services to Pacific Ridge Small Cap Value Fund LLC (hereinafter “the Small Cap Value Fund”), Pacific Ridge Micro Cap Value Fund LLC (hereinafter “the Micro Cap Value Fund”), and Pacific Ridge Opportunity Fund LLC (hereinafter “the Opportunity Fund”), each a private investment fund (hereinafter collectively “the Funds”). Our clients may be solicited to invest in any one or all Funds, as appropriate. The Funds are not required to register as investment companies under the Investment Company Act of 1940 in reliance upon certain exemptions available to funds whose securities are not publicly offered. We manage the Funds on a discretionary basis in accordance with the terms and conditions of each Fund's offering and organizational documents.

Each Fund requires a minimum investment of \$250,000. This minimum required investment may be negotiable under certain circumstances and at our sole discretion. Interests in the Funds will generally be sold only to qualified investors who are “accredited investors” under Rule 501 of Regulation D of the Securities Act of 1933, as amended. Prospective Investors in any one or all of the Funds should refer to the offering documents for more information regarding accreditation, minimum investments and other pertinent conditions placed on investments.

**Pacific Ridge Small Cap Value Fund LLC:** The Small Cap Value Fund is an investment related limited liability company targeting accredited investors (and a limited number of unaccredited investors) that include individuals, corporations, partnerships, limited liability companies, trusts and, in our discretion, Employee Benefit Plans (including ERISA plans and IRAs) in addition to entities that are exempt from federal income taxations such as a private foundation or nonprofit organization, as well as other investors that meet the suitability requirements. The Small Cap Value Fund will typically invest in equity and convertible debt of between 120 and 160 small capitalization companies having market capitalizations similar to those in the bottom three-quarters of the Russell 2000<sup>®</sup> Index, but the company's Operating Agreement does not restrict investment alternatives. As a result, PRCP may elect to pursue other strategies and will not be limited to any particular class of security or type of investment. The investment objectives of the Small Cap Value Fund are to preserve and protect investor capital and to generate superior long-term investment growth through capital appreciation. In addition, we intend to pursue a tax efficient strategy by limiting trading and factoring the tax implications of realized gains into its trading decisions. To accomplish these goals, PRCP intends to invest in securities of companies that have demonstrated the ability to generate cash flows and earnings, have a unique market position, or own assets that appear undervalued. Our firm's goal is to find inefficiently priced securities with the potential for significant appreciation. The Small Cap Value Fund requires a minimum investment of \$250,000. This minimum investment may be negotiable under certain circumstances at our discretion.

**Pacific Ridge Micro Cap Value Fund LLC:** The Micro Cap Value Fund is an investment related limited liability company targeting accredited investors (and a limited number of unaccredited investors) that include individuals, corporations, partnerships, limited

liability companies, trusts and, at our discretion, Employee Benefit Plans (including ERISA plans and IRAs) in addition to entities that are exempt from federal income taxations such as a private foundation or nonprofit organization, as well as other investors that meet the suitability requirements. The Micro Cap Value Fund will typically invest in the securities of approximately 50 to 80 companies having market capitalizations similar to those in the Russell Microcap<sup>®</sup> Index, but the company's Operating Agreement does not restrict investment alternatives. The investment objectives of the Micro Cap Value Fund are to preserve and protect investor capital and to generate superior long-term investment growth through capital appreciation. In addition, PRCP intends to pursue a tax efficient strategy by limiting trading and factoring the tax implications of realized gains into its trading decisions. To accomplish these goals, we will search for inefficiently priced securities with the potential for significant appreciation. The Micro Cap Value Fund requires a minimum investment of \$250,000. This minimum investment may be negotiable under certain circumstances at our discretion.

**Pacific Ridge Opportunity Fund LLC:** The Opportunity Fund is an investment related limited liability company targeting accredited investors (and a limited number of unaccredited investors) that include individuals, corporations, partnerships, limited liability companies, trusts and, in our discretion, Employee Benefit Plans (including ERISA plans and IRAs) in addition to entities that are exempt from federal income taxations such as a private foundation or nonprofit organization, as well as other investors that meet the suitability requirements. The Opportunity Fund will typically invest in various classes and types of publicly traded securities with no geographic bounds, but the company's Operating Agreement does not restrict investment alternatives. As a result, PRCP may elect to pursue other strategies and will not be limited to any particular class of security or type of investment. The investment objectives of the Opportunity Fund are to preserve and protect investor capital and to generate superior long-term investment growth through capital appreciation. In addition, we intend to pursue a tax efficient strategy by limiting trading and factoring the tax implications of realized gains into its trading decisions. To accomplish these goals, PRCP intends to invest in securities of companies that have demonstrated the ability to generate cash flows and earnings, have a unique market position, or own assets that appear undervalued. Our firm's goal is to find inefficiently priced securities with the potential for significant appreciation. The Opportunity Fund requires a minimum investment of \$250,000. This minimum investment may be negotiable under certain circumstances at our discretion.

In connection with its investment strategy, all Funds may make short sales of securities or may make short sales while an equal amount is held of the security sold short (a covered short sale) and may also lend portfolio investments. In addition, the Funds may buy securities on margin or borrow funds for other aspects of its operations. The use of these investment techniques is a specialized activity that may be considered speculative and can expose the Funds to significant risk of loss. Such instruments may be difficult to value, may be illiquid and may be subject to wide swings in valuation caused by changes in the price of the underlying security, index, instrument, or currency. In addition, if the Funds have insufficient cash to meet margin, collateral, or settlement requirements, they may have to sell assets to meet such requirements.

In the future, PRCP may, as appropriate, waive or modify the terms of investment in any one or all of the Funds for certain large or strategic investors, in side letters or otherwise, its sole discretion, including but not necessarily limited to, a waiver or reduction of Management Fees,

a waiver or reduction of the Incentive Allocation, preferential redemption rights, and/or increased transparency or reporting. Interests in the Funds are subject to a one year lock-up period.

### **ADDITIONAL CONSIDERATIONS**

The information provided merely summarizes the detailed information provided in each Fund's offering and organizational documents. Prospective investors in one or both of the Funds should be aware of additional terms and risks associated with investment. Prospective investors should refer to the appropriate offering and organizational documents for important additional considerations and information.

### **AMOUNT OF MANAGED ASSETS**

As of 5/21/2013, we were actively managing \$111,331,033 of clients' assets on a discretionary basis.

## **Item 5 Fees and Compensation**

### **PORTFOLIO MANAGEMENT SERVICES**

The annual fee for Portfolio Management Services in the Small Cap portfolio is 1.00% and for the Micro Cap portfolio is 1.50% of assets under management. A minimum of \$3 million of assets under management in either portfolio is generally required for this service. This minimum account size may be negotiable under certain circumstances. Clients will be invoiced or their account directly debited, as authorized, in arrears at the beginning of each calendar quarter based upon the average value (market value or fair market value in the absence of market value), of the client's account at the end of each of the three months that compromise the quarterly billing period.

### **PRIVATE INVESTMENT FUNDS**

The annual management fee for the Small Cap Value Fund and Opportunity Fund is 1.00% and the Micro Cap Value Fund is 1.50% of the Net Asset Value of each Fund shares calculated as a percentage of assets under management, debited monthly, in arrears. Net Asset Value will be calculated as set forth in the Funds' offering and organizational documents.

A minimum investment of \$250,000 is required for each Fund. This minimum required investment may be negotiable under certain circumstances in the sole discretion of PRCP. Prospective investors in any one or both of the Funds should refer to the appropriate offering and organizational documents for more information regarding the fees charged by PRCP as well other applicable Fund expenses.

**Limited Negotiability of Advisory Fees:** Although Pacific Ridge Capital Partners, LLC has established the aforementioned fee schedule(s); we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs will be

considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule will be identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

**Direct Debiting of Fees:** Clients may elect to have fees directly debited from their accounts on a quarterly basis. All fees that have been deducted from client accounts will be noted on the quarterly statement that is provided to clients by the custodian that holds their respective account(s). Clients should review these statements carefully and contact us at our principal offices, noted on the cover page, if any discrepancies are found.

## GENERAL INFORMATION

**Termination of the Advisory Relationship:** A separately managed client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

Investors in any one or all of the Funds should refer to the appropriate Fund offering documents for information regarding withdrawal from the Funds(s).

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

**Mutual Fund Fees:** All fees paid to Pacific Ridge Capital Partners, LLC for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. Clients should also understand that shares of certain mutual funds offered in these programs may impose short-term trading charges (typically 1%-2% of the amount originally invested) for redemptions made within short periods of time. Clients should consider these short term trading charges when selecting the program and/or mutual funds in which they invest.

If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund or ETF directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund(s) or ETF(s) are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and/or ETFs and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided. In addition, our firm may choose to recommend our own mutual fund products for use model portfolios.



***Additional Fees and Expenses:*** 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 investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***ERISA Accounts:*** Pacific Ridge Capital Partners, LLC is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"). As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Pacific Ridge Capital Partners, LLC may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive 12b-1 fees, however, only when such fees are used to offset Pacific Ridge Capital Partners, LLC's advisory fees.

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Limited Prepayment of Fees:*** 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**

Pacific Ridge Capital Partners, LLC does not charge performance-based fees.

## **Item 7 Types of Clients**

Pacific Ridge Capital Partners, LLC provides advisory services to the following types of clients:

- Charitable Organizations and Endowments
- Investment companies (including mutual funds)
- Pension and profit sharing plans (other than plan participants)
- Corporations or other businesses not listed above
- State or municipal government entities
- High net worth individuals

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

### **METHODS OF ANALYSIS**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

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.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Charting.** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict when how long the trend may last and when that trend might reverse.

**Cyclical Analysis.** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## INVESTMENT STRATEGIES

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically this is our primary strategy and we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

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

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

**Trading.** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

**Risk of Loss.** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

## **Item 9 Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

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

Our firm has no other financial industry activities or affiliations.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Pacific Ridge Capital Partners, LLC and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [Peter.Trumbo@PacificRidgeCapital.com](mailto:Peter.Trumbo@PacificRidgeCapital.com), or by calling us at our principal office phone number (503) 886-8970.

Pacific Ridge Capital Partners, LLC and individuals associated with our firm are prohibited from engaging in principal transactions.

Pacific Ridge Capital Partners, LLC and individuals associated with our firm are prohibited from engaging in agency cross transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security within seven calendar days of a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval by the Chief Compliance Officer for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
8. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
9. We have established policies requiring the reporting of Code of Ethics violations to our senior management.

## **Item 12 Brokerage Practice**

We require all separately managed account clients provide the firm with written authorization to determine which securities and the amounts of securities to be bought or sold for the account. Our firm also generally requests that clients grant the firm the authority to determine

the broker dealer to use for client transactions and the commission costs that will be charged to the client for these transactions.

When our firm has the authority to determine the broker dealer through which to execute transactions, the firm endeavors to select those brokers or dealers which will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research and other services which will help us in providing investment management services to clients. We may, therefore, use a broker that provides useful research and securities transaction services even though a lower commission may be charged by another broker that offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

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

Certain clients may contract with us to utilize a preferred brokerage arrangement, whereby all transactions are placed through the preferred broker, if the broker-dealer can provide execution and commission rates that are competitive with other brokers. Under this arrangement our firm is authorized to pay higher commission rates to the preferred broker than available if we were to obtain execution. However, we will ordinarily not have transactions executed by the preferred broker if its commission rates are higher than the generally prevailing competitive rate. Even if the preferred broker's rates are competitive, our firm is not obligated to use the preferred broker, and will not do so if overall best execution (of which commission rate is one factor among others) can be obtained elsewhere.

Certain other clients, when undertaking an advisory relationship, already have a pre-established relationship with a broker and they will instruct us to execute all transactions through that broker. In the event that a client directs us to use a particular broker or dealer, it should be understood that under those circumstances we will not have authority to negotiate commissions, obtain volume discounts and best execution may not be achieved. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to other clients.

We will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, and may include proprietary accounts owned by PRCP, its employees, or principals. Block trading may permit equity trades to be executed in a timelier and more equitable manner while allowing us to obtain an average share price for clients and proprietary accounts participating in the block. Our firm may not be able to aggregate clients with directed brokerage agreements, and in such cases, we may execute all discretionary accounts first, followed by the execution of directed brokerage related clients next.

Partial fills of blocked trades will generally be allocated on a pro rata basis. However, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account or to avoid deviations from pre-determined minimum/maximum holdings limits established for any account.

## SOFT DOLLAR ARRANGEMENTS

Generally, as one of several factors considered when evaluating a broker's ability to provide the "best execution" for our clients, we may consider the value of "research" or additional brokerage products and services a broker-dealer has provided or may be willing to provide. This is known as paying for such services or products with "soft dollars." Consistent with its fiduciary obligations, our firm may direct brokerage transactions for clients' portfolios to broker-dealers who provide research and execution services to us and, indirectly, to our clients.

These products and services include research and software that enable trade execution and are designed to augment our own internal research and investment strategy capabilities. This may be done without prior agreement or understanding by the client (and done at our discretion). Research services obtained through the use of soft dollars generally include statistical or quotation services, including on-line services. We do not attempt to allocate the relative costs or benefits of those services among clients, believing that the research we receive will help us to fulfill our overall duty to our clients. A client may pay brokerage commissions that are used, in part, to purchase research services that are not used to benefit that specific client.

Broker-dealers selected by us may be paid commissions for effecting transactions for our clients that exceed the amounts other broker-dealers would have charged for effecting these transactions. We will determine that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers.

Certain items obtainable with soft dollars may not be used exclusively for either execution or research services. The cost of such "mixed-use" products or services will be fairly allocated and we make a good faith effort to determine the percentage of such products or services which may be considered as investment research. The portion of the costs attributable to non-research usage of such products or services is paid by us to the broker-dealer in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934.

### Item 13 Review of Accounts

#### PORTFOLIO MANAGEMENT SERVICES

**REVIEWS:** While the underlying securities within Portfolio Management Services accounts are continuously monitored, these accounts are reviewed at least monthly by Mark Cooper, Manager and Chief Investment Officer, and Dominic Marshall, Member, of PRCP. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, market, political or economic environment or upon a client's request.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that Portfolio Management Services clients receive directly from their broker-dealer and/or

account custodian, we will provide quarterly reports summarizing account performance, balances and holdings as well as periodic market commentary.

## **PRIVATE INVESTMENT FUNDS**

**REVIEWS:** The underlying securities and asset mix within the Funds are continuously monitored by our Investment Team, including Mark Cooper, Manager and Chief Investment Officer, and Dominic Marshall, Member, of PRCP. The Funds are reviewed in the context of the investment objectives and guidelines set forth in the offering documents and the advisory agreements entered into with each Fund.

**REPORTS:** Investors in the Funds will receive an annual audited financial report for the Fund(s), prepared by an independent auditor, generally within 120 days of the end of each Fund's fiscal year. In addition, investors will receive, within 60 days of the close of the calendar year, all reports necessary to complete the Member's tax returns. We will also provide internally-prepared financial reports to Members upon request. Additional reports of activities in securities will be provided in the form, at the frequency, and on such basis as the Manager deems necessary and appropriate. Prospective investors in any one or more of the Funds should refer to the appropriate offering and organizational documents for more information on the reports provided to investors.

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

### **CLIENT REFERRALS**

As a matter of our firm's policy and practice, we do not pay referral fees.

## **Item 15 Custody**

We do not accept physical custody of client assets, including the receipt of securities, cash or checks, at any time. The decision to select a qualified third-party custodian remains solely with the client. With the exception of the Funds, clients must contract directly with their selected qualified third-party custodian or registered broker-dealer for custodian services.

Because we act as investment adviser to the Funds and have an affiliated party who acts as General Partner to those Funds, we are deemed to have custody of client assets under current applicable regulatory interpretations. As an adviser with custody, we seek to have each of the Funds audited on an annual basis by an independent public accountant that is both registered with and subject to regular inspection by the Public Company Accounting Oversight Board (PCAOB). It is our policy to seek to send these audited financials to each Fund investor, as appropriate, within 120 days of the applicable Fund's fiscal year end.

Advisers that are general partners to limited partnerships, hedge funds or other pooled investment vehicles ("investment pool") (or that have related persons that are general partners to limited partnerships) may be exempt from the annual surprise examination provided that the investment pool is audited at least annually by an accountant that is both

registered with, and subject to regular inspection by, the PCAOB; the audited financial statements are distributed to each investor in the investment pool (or their independent representative) within 120 days of the fiscal year-end of the investment pool (180 days for fund of funds).

No-Action Relief: On July 21, 2011, the SEC temporarily extended no-action relief (see Seward & Kissell LLP SEC No-Action Letter dated 07/21/2011) to certain investment advisers making it permissible for the adviser to a pooled investment vehicle to engage an auditor that is not currently subject to inspection by the PCAOB but which audits the financial statements of a broker or dealer, to audit the financial statements of the investment pool for purposes of complying with Rule 206(4)-2(b)(4) (the "Annual Audit Provision"). The SEC extended the relief initially provided in the Seward & Kissell LLP No-Action Letter dated 10/12/2010, pursuant to the PCAOB's adoption of a temporary rule under which the PCAOB will establish an interim program of inspection related to audits of brokers and dealers. The no-action relief applies until the earlier of the date the SEC approves a PCAOB-adopted permanent program for the inspection of broker and dealer auditors or December 31, 2013.

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts, but only after receiving written authorization from the client.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17 Voting Client Securities**

### **PROXY DISCLOSURE**



Advisory clients may elect to delegate their proxy voting authority to us. Alternatively, clients may also elect to receive and vote proxies related to their own accounts, in which case we may consult with clients as requested. Our firm has adopted written Proxy Voting Policies and Procedures which reflect the firm's duty as a fiduciary to vote proxies in the best interests of our clients. For ERISA plan clients, proxies are voted by us solely in the best interests of the plan participants and beneficiaries unless the plan documents specifically reserve the plan sponsors right to vote proxies.

Clients may obtain a copy of our complete Proxy Voting Policies and Procedures by contacting Peter Trumbo, Manager and Chief Compliance Officer of PRCP directly at our principal office location, noted on the cover of this brochure. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will provide such information to the client promptly. These requests should also be referred to Mr. Trumbo.

### **CLASS ACTIONS, BANKRUPTCIES AND OTHER LEGAL PROCEEDINGS**

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the clients account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct our firm to transmit copies of class action notices to the client or a third party. Upon such direction, we will make reasonable efforts to forward such notices in a timely manner.

### **Item 18 Financial Information**

Pacific Ridge Capital Partners, LLC has no additional financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Pacific Ridge Capital Partners, LLC has not been the subject of a bankruptcy petition at any time during the past ten years.