



Private Capital Management LLC Form ADV Part 2A: Firm Brochure

210 University Boulevard, Suite 400
Denver, CO 80206
(303) 370-0055
www.pcm-inc.com

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This Brochure provides information about the qualifications and business practices of Private Capital Management, LLC ("PCM" or the "Investment Adviser"). The client should be aware that registration with the US Securities and Exchange Commission does not imply a certain level of skill or training. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about PCM also is available on the SEC's website at www.adviserinfo.sec.gov

If the client has any questions about the contents of this Brochure, please contact our Chief Compliance Officer, Julie Goodrum at (303) 370-0055 or email julie.goodrum@pcm-inc.com.

Item 2 – Material Changes

The Brochure, dated January 7, 2019, represented an update to PCM's previous brochure published on February 15, 2018.

On January 1, 2019, Private Capital Management became a wholly owned subsidiary of Independent Bank. Independent Bank is a wholly owned subsidiary of Independent Bank Group, Inc. Private Capital Management was previously a wholly owned subsidiary of Guaranty Bank and Trust Company, which was a wholly owned subsidiary of Guaranty Bancorp. On January 1, 2019, Guaranty Bancorp was merged with and into Independent Bank Group, Inc. and Guaranty Bank and Trust Company was merged with and into Independent Bank

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Item 4 – Advisory Business

Established in 2000, Private Capital Management, LLC (“PCM”) is a wholly owned subsidiary of Independent Bank. Independent Bank is a wholly owned subsidiary of Independent Bank Group, Inc. PCM is registered as an investment advisor with the United States Securities and Exchange Commission CRD#165306.

PCM provides investment advisory and financial planning services to individuals, small businesses, institutions, endowments and foundations. PCM provides investment management of diversified portfolios composed primarily of no-load mutual funds, exchange listed securities, foreign issuers, certificates of deposit, index funds, options, certain insurance products, structured notes, and exchange-traded funds (ETFs). PCM also advises qualified clients regarding private placement offerings. Advice and recommendations are tailored to the individual needs of our clients. Clients can impose restrictions on investing in certain securities or types of securities.

Client’s accounts are managed by the firm on a discretionary basis. As such, PCM has the authority to make trades within clients’ accounts without prior consent.

Based on discussions with new and existing clients, PCM may offer financial planning services. Financial planning services may include a review of all aspects of a client’s current financial situation, including the following components: cash management, risk management, insurance, education funding, goal setting, retirement planning, estate and charitable giving planning, tax planning, and capital needs planning. PCM meets with the client to review risk tolerance, financial goals and objectives, and time horizons and may prepare a written financial plan.

Financial planning services are based on the client’s financial situation at the time and are based on financial information disclosed by the client to PCM. Certain assumptions must be made with respect to inflation rates and the use of past trends, future projections, and performance of various asset classes. PCM does not offer any guarantees or promises that client’s financial goals and objectives will be met.

Clients should notify PCM promptly of any changes to the client’s financial goals, objectives or financial situation. PCM will rely on the information provided by Clients to maintain and manage the account and provide financial planning services.

PCM is not affiliated with any of the securities or products recommended to clients.

Clients are allowed to hold or purchase certain assets in the same brokerage account as the account used by PCM to manage investments. Unless the client has expressly given PCM discretionary control over these assets in writing, PCM will not manage these assets and will term them “Unmanaged Assets” on all communications. Additionally, at the request of the Client, PCM may also provide statements/reports on other accounts held by the Client over which PCM has no discretionary or decision-making authority (“Report Only Accounts”). The fact that they may appear on statements and reports does not mean that PCM is providing any advice or taking on any responsibility or discretionary authority regarding these “Unmanaged Assets” or Report Only Accounts. Unmanaged Assets and Report Only Accounts shall remain the sole and exclusive responsibility of the client. PCM will not provide updates, advice, recommendations or research of any kind regarding the “Unmanaged Assets” or Report Only Accounts. PCM will not determine if an

“Unmanaged Asset” or Report Only Account is in conformity with your stated goals, financial profile, or investment objectives; provided that PCM may take into consideration the existence of Client’s “Unmanaged Assets” and Report Only Accounts when making recommendations with respect to the managed portion of the Account to conform with the Client’s overall stated goals, financial profile, and investment objectives. “Unmanaged Assets” and Report Only Accounts are the sole and exclusive responsibility of the client.

With the integration of Wagner Wealth Management, Private Capital Management now manages \$1,140,658,218, on a discretionary basis and \$252,905 on a non-discretionary basis, calculated using assets under management as of December 31, 2017.

Item 5 – Fees and Compensation

PCM collects fees for advisory services by charging clients a percentage of assets under management. The standard annual fees for clients new to the firm after February 15, 2018, is as follows:

<u>Market Value of Account</u>	<u>Annual Fee Percentage</u>
The First \$1,000,000 of Assets in Account	1.00%
The Next \$1,000,000 of Assets in Account	0.90%
The Next \$3,000,000 of Assets in Account	0.75%
All Remaining Assets	0.50%

The specific manner in which fees are charged is established in the client’s Agreement with PCM. PCM may group certain client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee. Fees are billed on a quarterly basis in advance. Clients generally authorize PCM to directly debit fees from their accounts at the custodian. Under certain circumstances, the client can elect to be billed directly. Quarters will begin on the first day of January, April, July, and October. Additional fees or credits associated with deposits into or withdrawals from the Account shall be pro-rated commencing the date of such deposit or withdrawal, and future fee invoices shall be adjusted to reflect such additional fees or credits.

In the event a Client enters into the Agreement prior to the end of the quarterly period, such fees shall be pro-rated based on the number of days remaining in the quarter after, and including the date the assets are under management. The fee shall be payable on or before the fifteenth (15th) day of the first month of the applicable quarter after the date the assets are under management. In the event the Agreement is terminated prior to the end of the quarterly period, such fees shall be prorated as of the date of termination.

In addition to the firm’s management fee, the client will incur certain charges, which could include but are not limited to, charges imposed by broker-dealers and custodians, such as brokerage commissions and/or transaction fees, transfer fees, wire transfer and electronic fund transfer fees, and other fees on the client brokerage accounts and securities transactions. Certain types of client brokerage accounts will be subject to taxes. Mutual funds and ETFs also charge internal management fees and other fees and expenses. These fees and expenses are described in the prospectuses of those funds, and are paid for by the funds, but are ultimately borne by the client.

The client's chosen custodian typically enables PCM to obtain some no-load mutual funds without transaction charges and other no-load and load-waived funds at nominal transaction charges. The transaction charges and/or commission rates charged by the custodian are sometimes discounted from customary retail transaction charges and commissions. However, the commission and/or transaction fees charged by the custodian could be higher or lower than those charged by other broker-dealers.

Neither Private Capital Management nor any employee receives other compensation for selling securities or other investment products.

The annual advisory fee is based on a percentage of the total value of assets in all client accounts and may be negotiated, depending on various factors. These factors may include, but are not limited to: the services required by the client, client type, asset class, pre-existing relationship, the size of the account (current or anticipated) and/or other related accounts and investments. As a result, clients with similar assets may have differing fee schedules and some existing clients may pay higher or lower fees than new clients. Clients who negotiate a flat fee schedule may or may not pay higher total fee than those who pay under a tiered schedule.

Some Clients are subject to fee schedules and billing practices under legacy arrangements that are generally no longer available. These terms are outlined in the Client's legacy agreement that was executed with either Private Capital Management or a prior firm.

Either PCM or client can terminate the relationship at any time by providing written notice of termination to the other party. If a client terminates PCM's services prior to the end of a quarter, any fees the client prepaid, that PCM has not yet earned, will be refunded to the client on a *pro rata* basis, *i.e.*, based on the number of days that have elapsed in the quarter in which termination occurs.

Item 12 further describes the factors that PCM considers in selecting or recommending broker-dealers/custodians for client transactions.

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

PCM does not charge any performance-based fees (*i.e.*, fees based on a share of capital gains on, or capital appreciation of, the client's assets under management).

Item 7 – Types of Clients

PCM provides portfolio management and financial planning advisory services to individuals, businesses, corporate pension and profit-sharing plans, charitable institutions, trusts, estates and foundations. The firm generally requires a \$500,000 minimum in manageable assets to start or maintain an account. At PCM's discretion, the firm will sometimes approve exceptions to the minimum requirements. PCM may terminate accounts for falling below this minimum by providing a written notice to the client.

Accounts that do not meet the minimum requirement of \$500,000 may not receive the full benefits of the firm's typical investment strategy due to certain limitations on diversification and other considerations such as transaction costs.

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

PCM's analysis of investments is fundamental. PCM relies on a combination of research materials from third parties and direct research with investment sponsors to conduct our analysis. PCM's investment strategy is generally to purchase investments for the long term based on an asset allocation appropriate for the client. Security types considered include exchange-listed securities, foreign issuers, certificates of deposit, index funds, options, insurance contracts, exchange traded funds and mutual fund shares. PCM also advises qualified clients regarding private placement offerings. Certain investments are not suitable for all investors and may involve a high degree of risk, including loss of investment and liquidity risk for private investments.

Investing provides for exposure to assets classes and/or investments that may be exposed to loss of principal due to economic downturns, world events, market fluctuations, inflation, and individual security performance, among other things. 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, but not limited to, 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 could have lower trading volume. Investments in underlying funds that own small- and mid-capitalization companies may be more economically 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.

Unlike mutual funds, ETFs are traded intraday meaning the price can fluctuate throughout the day, and cannot be purchased directly from the issuer. PCM does not invest in leveraged or inverse ETFs which can be higher risk for investors. **PCM will not apply any of its method of analysis or investment strategies to Unmanaged Assets or Report Only Accounts. See Item 4-Advisory Business.**

Item 9 – Disciplinary Information

Neither Private Capital Management, nor its management team, has been subject to legal or disciplinary actions that are material to a client or prospective client's evaluation of the firm's Investment Adviser.

Item 10 – Other Financial Industry Activities and Affiliations

No individual associated with PCM is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

No individual associated with PCM is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading advisor.

PCM is a wholly owned subsidiary of Independent Bank. Independent Bank is a wholly owned subsidiary of Independent Bank Group, Inc (NASDAQ: "IBTX"). IBTX occasionally refers prospective clients to PCM; see Item 14 for additional information.

PCM only receives compensation directly from advisory clients. PCM does not receive compensation from any outside source (e.g. Rule 12b-1 marketing fees or distribution or revenue sharing payments).

PCM does not recommend or select other Investment Advisers for the firm's clients.

PCM is not a general partner or manager in any pooled investment vehicle PCM recommends.

Item 11 – Code of Ethics

PCM has adopted a Code of Ethics which describes the firm's standard of business conduct and fiduciary duty to PCM's clients. Some of the general principles of the code include:

- PCM adheres to the highest standards of integrity, trustworthiness, and truthfulness.
- PCM puts client interests ahead of the firm's interests.
- PCM keeps client information confidential.
- PCM provides full disclosure of all material facts to clients.
- PCM ensures that the firm and its employee's personal securities transactions do not adversely affect the securities transactions of clients.
- PCM complies with all relevant Federal, State and local rules, regulations and laws.

PCM authorizes employees to trade, for their personal accounts, in the same securities that the firm invests and recommends for our clients' accounts, including family related accounts, but specifically prohibit trading activity intended to benefit an employee at the expense of a client or leveraged off a client's activities. Employees may also invest in pooled investment vehicles that PCM recommends to clients.

Employee transactions in the same mutual funds recommended for PCM clients are executed at the same closing net asset value for all participants and no price impact is anticipated from either employee or client transactions. Consequently, clients are not adversely affected by these transactions. Employee transactions in ETFs can be executed at or around the same time as those transactions that are recommended or executed for clients. The firm has a personal trading policy (outlined below) in place to monitor and detect any potentially abusive practices.

Under the Code, employees must report all personal trading transactions, as defined in the Code and pre-clear all transactions concerning initial public offerings and private offerings. Employees are required to provide quarterly transaction reports and annual transaction holding reports. In addition, employees must report all personal accounts (as defined in the code) initially upon commencement of employment and no less than quarterly thereafter.

The client can obtain a copy of the Code of Ethics by contacting the Chief Compliance Officer at julie.goodrum@pcm-inc.com or by calling 303-370-0055.

Item 12 – Brokerage Practices

PCM does not maintain physical custody of any client accounts or any assets within them although PCM is deemed to have custody of your assets if you give us authority to withdraw fees from your account (see Item 15 Custody, below). Clients are required to deposit assets at a broker-dealer, investment company, or another financial institution that meets the definition of a "qualified custodian" under the Investment Advisors Act, through which PCM will monitor the managed assets in the account. As a result, clients are required to complete all documentation required by the applicable custodian for each account, including the appropriate

new account documentation. While PCM does not open custodial accounts for its clients, it can assist them in doing so. The ultimate responsibility rests with the client for the accuracy of the account opening and the information supporting the account.

In the event a broker-dealer is selected as the custodian of the client's account, PCM will process all trades in the account through that custodian. Because clients direct which broker-dealer will be used to process trades in their accounts, this could impair PCM's ability to achieve best execution of transactions. This could result in clients paying higher commissions and other transaction costs or receiving less favorable net prices on transactions. Clients should understand that not all advisors require their clients to direct their brokerage. While clients designate the custodian, PCM seeks to limit the number of custodians which hold client's assets due to the complexity associated with managing accounts on multiple custodial platforms. PCM clients generally use Charles Schwab & Co. or TD Ameritrade to serve as custodian based upon the quality of their service, the types of services the firms offer, their overall capability, execution quality, competitiveness of transaction costs, the investment research they make available to PCM and PCM's clients, and the firms' reputation and financial stability, among other things.

PCM seeks to recommend a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. PCM considers a wide range of factors, including, among others, these:

- Combination of transaction execution services along with asset custody services (generally without a separate fee for custody);
- Capability to execute, clear and settle trades (buy and sell securities for your account);
- Capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- Breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.);
- Availability of investment research and tools that assist PCM in making investment decisions;
- Quality of services;
- Competitiveness of the prices of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them;
- Reputation, financial strength and stability of the provider; and
- Their prior service to PCM and its clients.

Charles Schwab & Co. and TD Ameritrade provide products and services to PCM that provides an economic benefit to PCM, but may not benefit its client's accounts. Some of these other products and services assist PCM in managing and administering clients' accounts, including, but not limited to:

- Receipt of duplicate client confirmations and bundled client statements;
- Access to a trading desk exclusively for Schwab Institutional participants;
- The ability to have advisory fees deducted directly from a client's account;
- Receipt of compliance publications;

- Access to mutual funds which generally require significantly higher minimum initial investments or are generally available to institutional investors.

Charles Schwab & Co. and TD Ameritrade also makes available to PCM other services intended to help PCM manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, research reports, information technology, business succession and marketing. PCM also receives client referrals from Charles Schwab & Co. through PCM's participation in the Schwab Advisor Network (detailed in Item 14 below).

PCM's receipt of these benefits could create a conflict of interest because it relieves the firm from fully paying for these items or producing them itself. As result, the receipt of these benefits may make it more likely that PCM clients will generally use these companies as the custodian for its clients' accounts instead of searching for the broker that would provide the most favorable execution for each transaction in a client's account. However, PCM believes that the clients' use of these companies to serve as the custodians and brokers on clients' accounts is in the best interests of the firm's clients, based upon the scope, quality, and price of their services that benefit them, as opposed to the services that only benefit it.

Item 13 – Review of Accounts

PCM reviews the client's account each calendar quarter, which includes, but is not limited to, an analysis of asset allocations, significant cash flows, and current investments. When deemed appropriate, portfolio actions are taken. Investment portfolios are reviewed periodically with the client as circumstances may dictate. Such circumstances might include changes in capital market conditions, economic changes, tax changes, and/or a change in the client's financial objectives or risk tolerance. PCM attempts to ensure conformity with the client's stated goals, financial profile and investment objectives. The client agrees to inform PCM promptly of changes in the client's investment objectives or financial situation of which PCM would not otherwise have knowledge.

The client will be sent statements by the client's broker-dealer/custodian no less frequently than on a quarterly basis. In addition, PCM prepares supplementary reports for the client on the status of the client's account, usually on a quarterly basis.

PCM will have no responsibility for "Unmanaged Assets" and Report Only Accounts and will not provide updates, advice, recommendations or research of any kind on them. These "Unmanaged Assets" and Report Only Accounts may also appear on statements from the Client's broker-dealer/custodian and on supplementary reports provided to the Client by PCM. These "Unmanaged Assets" and Report Only Accounts appear on the statements/reports only as a service to the Client. The fact that they appear on statements and reports does not mean that PCM is providing any advice regarding these "Unmanaged Assets" and Report Only Accounts. PCM will not attempt to determine if an "Unmanaged Asset" or Report Only Account is in conformity with the client's stated goals, financial profile or investment objectives; provided that PCM may take into consideration the existence of Client's "Unmanaged Assets" and Report Only Accounts when making recommendations with respect to the managed portion of the Account to conform with the Client's overall stated goals, financial profile, and investment objectives. These "Unmanaged Assets" and Report Only Accounts shall remain the sole and exclusive responsibility of the Client.

Item 14 – Client Referrals and Other Compensation

As noted in Item 12, above, PCM may receive economic benefits from the custodians of its customers' accounts in the form of support, products, and services made available to PCM. However, these offers of products and services are not based on the willingness of PCM or its investment advisor representatives to provide any particular investment advice to their clients, such as recommendations to purchase any particular securities products.

PCM and its investment advisor representatives may receive indirect compensation from third parties. This compensation may include payments for PCM's investment advisor representatives and/or other associated persons to attend educational and marketing seminars, an occasional meal, or ticket to a sporting event. In addition, investment product and service providers may sponsor educational seminars and/or client marketing events conducted by PCM. However, such compensation is not tied to the sales of any products. PCM maintains records of all such payments, and those records are available for inspection at a client's request.

PCM's related persons may compensate their employees through an internal bonus system that rewards the related person's employees for facilitating the opening of new PCM account relationships. Payment of a fee, if any, will not result in any additional management fees or charges paid by our clients. These solicitor agreements are structured to comply with applicable securities laws, which include the existence of a formal contract between PCM and the solicitor. Pursuant to that contract, the solicitor is required to provide each potential client with a disclosure statement, which describes the specific relationship between PCM and the solicitor – prior to or at the time the client enters into an investment advisory or management agreement.

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

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

PCM generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The

Non-Schwab Custody Fee is higher than the Participation Fees PCM generally would pay in a single year. Thus, PCM will have an incentive to recommend that client accounts be held in custody at Schwab.

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

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

Item 15 – Custody

PCM requires clients to designate an unaffiliated qualified custodian to hold assets in their accounts. PCM has custody under the custody rules in the following ways:

- 1) Clients may authorize PCM to debit fees directly from the client's account. In that case, the client must provide written authorization permitting the custodian to debit fees from the client's account. Clients will receive account statements directly from the account's custodian at least quarterly, which will detail all activity and list any fee deductions. These reports will be sent to the email or mailing address the client provided. Each time a fee is directly deducted from a client's account, PCM will concurrently (i) send an invoice to the custodian specifying the amount of the fee and (ii) send an invoice to the client specifying and itemizing the fee, including the formula used to calculate the fee, the amount of assets under management upon which the fee is based, and the time period covered by the fee. Clients should carefully review the account statements they receive from the custodian to ensure they accurately reflect the assets the client believes are in the account. If any inconsistencies are found, clients should contact PCM immediately.
- 2) Clients have named PCM or a PCM related person as a trustee.
- 3) Clients can authorize PCM, under terms of a letter of instruction, to instruct the custodian to disburse funds or securities from the client's account at the custodian. Terms of the letter of instruction are provided by the client.
- 4) Clients provide client login credentials.

Custody is granted solely at the discretion of PCM and PCM obtains an annual surprise custody examination, as required, for those accounts in which it accepts custody. Our investment management agreement typically includes a limited power of attorney to permit PCM to make securities trades and other transactions on the clients' behalf.

Item 16 – Investment Discretion

For most client accounts, PCM has discretionary authority to manage the investments within the accounts. The investment management agreement provided to the client will typically include a limited power of attorney that outlines the specific authority PCM will have to initiate investment transactions in the client's accounts. That document also permits PCM to notify the account's custodian and/or broker-dealer of its authority (although these entities may require clients to execute separate forms to confirm PCM's discretionary authority over each account).

Specifically, PCM will have the authority to:

- Buy, sell, and trade securities;
- Place, withdraw, or change transaction orders or instructions with the account's custodian and;
- Instruct the custodian as to which cost basis formula to apply to each account.

PCM will strive to manage each client's account consistent with the client's investment objectives, which are established at the opening of the account but are subject to change at any time at the client's direction. Certain investments require additional written client consent, including private investments.

In addition, clients may designate specific restrictions on the investments to be held in their accounts, termed *Unmanaged Assets or Report Only Accounts*. *Unmanaged Assets and Report Only Accounts* are subject to the limitations in Items 4, 8 and 13 above.

The client agrees to accept sole responsibility for any *Unmanaged Assets and Report Only Accounts* that the client has chosen to maintain in the clients account(s).

Item 17 – Voting Client Securities

Clients select when opening an account, whether the client or PCM will vote proxies for the client's securities. If the client chooses to have PCM vote the proxies, PCM will do so in the client's best interest, without regard to PCM's interest. Clients can obtain information on how their proxies were voted by making an oral or written request to PCM. A copy of PCM's proxy voting policies and procedures is available upon request.

Item 18 – Financial Information

Registered investment advisors are required, in some cases, to provide certain financial information and or disclosures about financial condition. For example, if PCM required clients to prepay advisory fees six months or more in advance, had a financial condition that was reasonably likely to impair its ability to meet its contractual commitments to its clients, or had been the subject of a bankruptcy petition during the past ten

(10) years, it would be required to include certain financial information and make disclosures. However, none of these factors are applicable to PCM, so no such disclosures are necessary.