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The annual review of PCM's policies and procedures manual indicated the need for the creation of this narrative brochure due to the SEC's adopted amendments to Part 2 of Form ADV.

This brochure will explain to the investor PCM's qualifications, investment strategies and business practices. The brochure will be filed electronically in a text searchable PDF format on the IARD website and delivered to existing clients via email or direct mail. A copy of this brochure will be delivered to new clients at the time they enter into an advisory contract.

***This brochure has not been approved by the Securities & Exchange Commission or any state securities authority.**

****The term registered investment adviser does not imply a certain level of skill or training.**

Form ADV, Part 2A & 2B

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PCM Personnel

Richard D. Smith, the founder of PCM, started in the financial industry in 1970. He is a financial educator and a Registered Investment Advisor. Rich has over 35 years experience in the investment and financial services fields. He started PCM in 1993 and is the editor of the Protected Capital Partners Newsletter. Richard graduated from Brigham Young University and received a Master's degree in Instructional Technology from San Jose State University. There, he created a Retirement Income Workshop for Senior Investors. He received the CFP, Certified Financial Planners designation in 1987. He created his first Asset Allocation Model in 1988 and is the chief investment officer of PCM.

Sheila K. Baum is a research assistant to Mr. Smith and chief compliance officer of PCM. She has a degree in finance from Brigham Young University and has been with PCM since 2004. She has experience in internal auditing, tax preparation, university endowments and office management. She is supervised directly by Mr. Smith and they review with each other on a daily basis client contact, mutual fund and equity research and portfolio advice and changes.

Diana L. Smith acts as a consultant to PCM on customer service, marketing, and client communication issues. She has been associated with PCM since its founding in 1993 and is the wife of the founder, Richard Smith. Mrs. Smith attended Brigham Young University and also sang for 12 years with the San Francisco Opera Company. She and Mr. Smith have four children and nine grandchildren. They live in Eagle, Idaho.

Advisory Business

Protected Capital Management is a registered investment advisory firm founded in 1993, specializing in no-load investing. We are a fee only alternative to traditional brokers and financial sales people who work on commissions.

We manage IRAs, Roth IRAs, SEPs, 401k rollovers and taxable accounts for conservative men and women over 50 who want rising income, safety, and consistent returns.

We use tested, no-load solutions based on in-depth research to protect and grow retirement savings in today's uncertain economy.

We serve investors without the conflict of interest that can result from loads, penalties and sales commissions. This independent approach helps us remain unbiased and objective. We offer low costs and daily reviews to help investors succeed in today's volatile economy.

We manage money for busy people who don't have the time or desire to watch and monitor the financial markets every day. During bear markets, our research may prompt us to reduce equity positions and increase cash and defensive holdings. All client accounts are liquid so investors may withdraw funds at any time.

PCM acts as an investment advisor only and does not provide written financial planning services. At the end of 2010, PCM had \$30,095,722 assets under management.

Fees and Compensation

PCM works on a fee-only basis and does not receive any form of sales commissions, 12(b)-1 fees or other compensation. It does not receive or accept "soft dollars."

PCM charges quarterly advisory fees for its investment management services. They are based on 1/4th of the yearly fees shown below.

<u>Amount</u>	<u>But less than</u>	<u>Per Year</u>
\$50,000	\$100,000	1.00%
\$100,000	\$200,000	0.85%
\$200,000	\$400,000	0.75%
\$400,000	\$1,000,000	0.60%
\$1,000,000	\$2,000,000	0.50%
\$2,000,000	\$3,000,000	0.40%
\$3,000,000	or more	0.25%

We may combine multiple accounts in the same family to give additional discounts.

PCM currently pays all mutual fund trading costs for accounts greater than \$50,000.

PCM reserves the right to charge an additional fee of up to \$4 per month (billed quarterly) for accounts below \$50,000 to help offset trading costs. Additional costs may result if a client makes special requests to buy or sell securities, ETFs or trade options outside of PCM's normal fund trading program.

Fees are calculated based on the value at the end of the quarter. Fees are deducted directly from the client account(s) by TD Ameritrade Institutional (TDA) and then processed and paid to PCM. Mutual funds held in client account(s) have individual expenses for the administration of the fund. These fees are deducted from the fund and are not paid to PCM.

PCM uses no-load mutual funds or those that waive any sales loads and does not receive any transaction based fees for any securities held in client accounts.

PCM does not require the prepayment of any fees, so clients may cancel or withdraw funds at any time. The client has the right to terminate the advisory agreement "penalty free" within 5 days after signing.

PCM clients agree to pay any customary and reasonable custodian, trustee, or bank wire fees that may apply from TD Ameritrade Institutional services per their agreement with PCM. TDA currently charges \$18.75 per quarter for custodial services, which they deduct each quarter. PCM does not mark up any fees charged by TDA.

Performance Based Fees and Side-By Side Management

PCM does not charge performance based fees.

Types of Clients

PCM's typical clients are conservative men and women over 50 who are pre-retirees or retired individuals with an IRA, 401k rollover or other retirement savings plans. In addition to IRAs, Roth's, SEPs, and 401k rollovers, we also manage individual taxable accounts and family trusts.

Methods of Analysis, Investment Strategies and Risk of Loss

PCM utilizes both fundamental and technical analysis in making asset allocation decisions.

PCM uses a multi-factor strategy model that takes into account changes in valuation, market trends, Federal Reserve actions, interest rates, inflation, chart patterns and other factors. It is designed to reduce

risk when conditions are unfavorable for certain asset classes and determine when opportunities and conditions are favorable.

Our strategies will reduce allocations to equities particularly when trends are negative, when interest rates are rapidly rising, when inflation is rising, and when valuations are excessively high, or during periods of currency devaluation or global tensions. All equity investments have the possibility of loss; however we make every effort to minimize this risk through careful diversification, asset allocation and daily monitoring of market conditions.

Disciplinary Information

No disciplinary or legal actions have ever been taken against Richard D. Smith, adviser, or his managed personnel. PCM has never been the subject of a bankruptcy petition or lawsuit.

Other Financial Industry Activities and Affiliations

PCM is not involved with any other industry activities and has no other affiliations.

Code of Ethics

Code of Ethics

At PCM, our desire is to adhere to the highest ethical standards. The first priority of PCM is to serve the client and perform services that are in his/her best interest. PCM accounts are typically mutual fund accounts with end of day pricing. This eliminates any front running of stocks. As a general rule PCM will not purchase individual stocks for clients, unless a specific request is made. Also, neither the owner nor employee(s) of PCM has access to nonpublic information regarding any securities or nonpublic information regarding the portfolio of holdings of any mutual fund. PCM does not manage any mutual funds.

PCM makes every effort to research and analyze mutual funds prior to executing trades. Mutual fund research data is obtained through Steele Mutual Fund Expert, Vector Vest, Stockcharts.com and Morningstar.com, Barron's, Investor's Business Daily, Bloomberg, Yahoo Finance and specialized newsletters and industry publications. All of these resources provide only public information to PCM. If client requests information regarding an individual stock, then PCM will cite research obtained from these resources.

In the event that the owner or an employee would become aware of any nonpublic information regarding any client(s)' purchase or sale of securities or any of the holdings in a mutual fund portfolio held by PCM clients, that person would be prohibited from sharing that information with anyone outside of PCM.

A complete copy of PCM's Code of Ethics is available to clients upon request.

Participation or Interest in Client Transactions

PCM does not have any financial interest in any security bought or sold in client accounts.

Personal Trading

The owner and employees of PCM may have private brokerage accounts in which individual stocks, mutual funds and options may be traded. All securities transactions are based on individual research and do not relate to transactions in client portfolios. Richard D. Smith, owner of PCM, has 100% of his

personal retirement fund in PCM and this account is traded using the same guidelines as all other client accounts. If an employee chooses to open an account with PCM, then that account will be treated like any other client account.

Personal trading by the owner and/or employees of PCM does not involve any conflicts of interest since personal investments are not in the same securities as those held in client accounts. If such an occurrence arose, then the client would be informed of any interests PCM owners or employees had in the same asset and any conflicts would be addressed.

Brokerage Practices

PCM chooses its custodian based on the best pricing platforms available in conjunction with types of assets, such as mutual funds, ETFs, and stocks offered. Currently, TD Ameritrade provides the trading platform, back office accounting support, daily internet access to client accounts, monthly statements to clients and year end tax documents. PCM periodically reviews the services and pricing from other custodians to ensure we have the best pricing and quality of service available.

Our goal is to give our clients the best possible cost savings for custodial services and account maintenance. Our review of providers includes trading efficiencies, low cost, and familiarity or ease of use with PCM's client software management system.

PCM does not receive any 12(b)-1 fees from any mutual fund investments for clients.

Soft Dollar Practices

PCM does not have any soft dollar practices for services provided by brokers in connection with client transactions.

Client Referrals

PCM does not receive client referrals from brokers.

Directed Brokerage

PCM uses the trading platform provided by TDA, which allows on-line purchase of mutual funds, individual stocks, options and ETFs for customer accounts. TDA allows for direct integration of trades into PCM's client database. Clients may choose other brokerages, if desired and acceptable to PCM. In the event of a directed brokerage situation, the client would be informed that PCM may not be able to obtain the most favorable price execution for client transaction(s).

Trade Aggregation

PCM clients benefit from the omnibus trading platform for mutual funds provided by TD Ameritrade. This helps keep trading costs to a minimum. PCM does not mark up TDA fees. Individual account transaction trading fees are only charged to a client account when a special request is made outside of PCM's normal omnibus trading practices.

Review of Accounts

On a daily basis we monitor both short and intermediate trends to measure the strength and direction of the market. PCM reviews client account holdings on a regular basis to ensure holdings are appropriate for current market conditions.

Client Referrals and Other Compensation

At this time PCM does not have any compensation arrangement for client referrals.

Custody

PCM does not have custody of any client account. TD Ameritrade (TDA) provides PCM clients with custodial services. Monthly account statements are sent directly from TDA for each client account. TDA deducts all fees from client accounts. The custodial fees are paid directly to TDA and advisory fees are credited to a PCM sundry account. PCM provides clients with a detailed quarterly billing statement, which utilizes account balances posted by TDA at the end of each quarter. The billing statement shows all fees deducted by TDA and explains how advisory fees were calculated for the quarter. Clients are urged to compare the account statements received from TDA to any related items shown on PCM's billing statements. Clients are urged to report any discrepancies to PCM so the item can be fully researched and resolved, if necessary.

Investment Discretion

PCM provides investment advisory services for client account(s) on a discretionary basis. This service is outlined in the PCM Investment Advisory Agreement signed by each client upon opening a new account. PCM is granted complete and unlimited authority to make all investment decisions for client account(s).

Voting Client Securities

PCM accepts no proxy voting material in behalf of the client. All paperwork is sent to the individual account holder by TD Ameritrade.

Additional Financial Information

This section does not apply to PCM.