

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

March 11, 2020

Pacifica Capital Investments, LLC

SEC File No. 801-62010

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This brochure provides information about the qualifications and business practices of Pacifica Capital Investments, LLC. If you have any questions about the contents of this brochure, please contact us at 512-337-5521 or www.pacificacapital.net. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

Additional information about Pacifica Capital Investments, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary. At this time there are no material changes.

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Item 4: Advisory Business

Pacifica Capital Investments, LLC ("PCI" and/or "the Company") is a Colorado limited liability company principally owned by Steve Leonard and Kari Pemberton. Steve Leonard formed PCI in 1998 and has served as its managing member since that time.

Advisory Services Offered

Individually Managed Accounts

PCI provides investment advisory services to individuals (including high net worth individuals), pension and profit sharing plans, charitable organizations, and corporations. The Company's investment advisory services primarily are with respect to:

- Equity securities traded on national securities exchanges (generally the New York and American Stock Exchanges) and the NASDAQ Stock Market; and
- On occasion, non-listed securities.

PCI focuses on businesses and industries in which it tries to have a thorough understanding, and limits the number of positions in an account to typically less than 15. PCI's investment strategy is to concentrate investments in specific industries and companies in which PCI strives to have both in-depth knowledge and confidence in their future results. This focused investment approach may result in more volatility and risk in portfolios.

Client accounts generally are managed in a similar manner, but PCI tailors its advisory services to the individual needs of clients by considering such factors as the type of account (i.e., taxable vs. not taxable) and specifics provided by the client. Clients may impose reasonable restrictions on investing in certain securities or types of securities, such as by industry or based on social criteria.

In addition, PCI participates in the Independently Managed Advisory Program ("IMA") offered by Wedbush Morgan Securities, Inc. PCI provides investment management services to client accounts participating in the IMA program, and receives fees from such clients as discussed below in Item 5 "Fees and Compensation." PCI manages its IMA account clients in the same manner it manages other individual client accounts.

Private Funds and Investment Ventures

PCI, Steven Leonard and/or other related persons of PCI also serve as manager or partner of a number of single purpose limited liability companies: Pacifica Capital Stacked, LLC; Pacifica Real Estate I, LLC; Pacifica Real Estate II, LLC; Pacifica Real Estate III, LLC; Pacifica Real Estate IV, LLC; Pacifica Real Estate V, LLC; RAF Pacifica Group – Development Fund I, LLC; RAF Pacifica Group – Real Estate Fund II LLC; RAF Pacifica Group - Real Estate Fund III, LLC; RAF Pacifica Group – Real Estate Fund IV, LLC; RAF Pacifica Loan Fund I, LLC; Pacifica Real Estate Santa Barbara Fund I, LLC; Pacifica Seattle Fund I, LLC, and Pacifica Real Estate Senior Living Fund I, LLC (each referred to herein as an "Investment Venture"). PCI provides services to such Investment Venture in accordance with each such Investment Venture's operating documents.

Client Assets Under Management

As of December 31, 2019, PCI managed approximately \$463,892,219 on a discretionary basis, including Leonard family accounts. PCI does not manage client assets on a nondiscretionary basis.

Item 5: Fees and Compensation

Individually Managed Accounts

PCI's clients that meet the definition of a "Qualified Client" in Rule 205-3 under the Investment Advisers Act of 1940 generally are charged a Base Management Fee and a Performance Fee.

"Qualified Clients" generally include those with:

- A net worth of \$2.1 million or more; and/or
- At least \$1,000,000 under PCI's management.

The annual Base Management Fee for Qualified Clients is up to 1.0% of the value of a client's account. Accounts are valued as of the end of each calendar year for purposes of calculating the Base Management Fee.

The annual Performance Fee will not exceed 20% of the annual increase in the value of the client's account in excess of the "Minimum Annual Return" (which is explained further below). Clients do not pay a Performance Fee except to the extent that the actual cumulative return on the client's account from its inception exceeds the cumulative Minimum Annual Return on that account for the same period of time.

The "Minimum Annual Return" is a hypothetical amount that results from application of the "Minimum Annual Rate of Return" to the client's account. The "Minimum Annual Rate of Return" is the yield on the ten-year United States Treasury bond as of the first day of each calendar year, effective for all of that year.

Clients that do not meet the definition of "Qualified Client" are charged only the Base Management Fee, which ranges from .25% to 2% annually, depending upon the factors discussed below.

All fees charged by PCI, including those charged to "Qualified Clients," may be negotiated and vary among clients depending on the following factors:

- Size of the account
- Likelihood of the size of the account increasing over time
- Client's relationship to PCI and/or Steve Leonard
- Other subjective factors

The Base Management Fee is charged annually in arrears. Fees are pro-rated with respect to accounts that have been opened or closed during the year. Fees also are pro-rated for capital contributions to or withdrawals from accounts at any time other than on the first or last day of any calendar year.

At the end of each fiscal year, PCI sends each client an invoice requesting payment of all fees. If PCI does not receive payment within 30 days of sending its invoice, PCI deducts its fees from the client's account. Thus, by choosing whether to submit payment in response to PCI's invoice or permit PCI to deduct its fees from their accounts, clients select the method by which they make payment each year.

In addition to the Base Management Fee and Performance Fee, client accounts are assessed brokerage and transaction charges with respect to trades placed for the account. These charges are paid to the account custodian (generally, Schwab Institutional) for effecting transactions, and may be higher or lower than transaction charges or commissions the client may pay at other broker-dealers. For PCI's client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Please refer to the section below entitled, "Brokerage Practices" for additional information.

PCI clients participating in the IMA program pay to PCI a Quarterly Fee and an annual Performance Fee. The Quarterly Fee is payable in advance and is generally equal to 1.0% (on an annual basis) of the value of the client's account. Accounts are valued on the last trading day of the previous quarter. The Performance Fee is equal to 20% of the excess of the annual performance of the client account, subject to High Water Mark and Hurdle provisions. The Performance Fee is payable in arrears at the end of each calendar year. The Quarterly Fee and Performance Fees are shared with WMS as a solicitor.

PCI clients participating in the IMA program also pay certain fees to WMS. Such fees are equal in amount to the fees payable to PCI by clients participating in the IMA program and are calculated and payable in the same manner as those payable to PCI. Participation in such program thus could cost clients more than if brokerage and investment advisory services were provided separately. However, clients participating in the IMA program do not pay separate transaction costs, including brokerage commissions, on trades executed through WMS as the broker. As a result, the potential cost benefit of participating in the program will to some extent be dependent upon the level of trading activity in a participating client's account.

All fees payable to PCI and WMS in connection with the IMA program are automatically debited from client accounts. Unearned fees paid by a client are refunded pro rata if, during a year, the account is terminated or capital is withdrawn from the account.

Although PCI prefers an account minimum of \$250,000 or higher for each client account, amounts may be negotiated on a case-by-case basis. Clients whose accounts are below this minimum amount on the first day of a calendar year pay PCI an annual Maintenance Fee. Such Fee is payable annually in advance and ranges from \$100 to \$150, depending upon the value of the account. This fee can be waived at PCI's discretion.

Private Fund Fees

Pacifica sponsors and/or manages several private funds. Please see Item 4 of this brochure for a list of the funds. Fees are negotiated between PCI and the applicable fund and memorialized in

a separate management agreement. Generally, such fees include a base management fee as well as a performance fee component. Please see Item 6 for additional disclosure on performance-based fees.

Investment Ventures

PCI receives compensation from the Investment Ventures, in connection with its services thereto. Steve Leonard is also compensated by certain Investment Ventures in relation to personal loan guarantees and by the operating company in which Pacifica Capital Stacked invests, as a director, employee or agent of such operating company. PCI, Steve Leonard, and/or other related persons of PCI receive an allocation of profit after a pre-determined preferred return to investors of 5%-7.5% annually, non-compounded (depending on the entity) in connection with serving as managers of the Investment Ventures. In particular the managers, or their assigns, of each such Investment Venture receive 25% of the operating cash flow once the preferred return to investors has been met. Each Investment Venture also pays a quarterly management fee to PCI to help cover administrative expenses. Fees for Investment Ventures paying monthly distributions are \$50 annually, per partner. Fees for Investment Ventures not making monthly distributions is \$1,200 annually. PCI may change these administration fees with notice to investors in the Investment Ventures.

Item 6: Performance-Based Fees and Side-by-Side Management

As discussed in the prior Section entitled "Fees and Compensation," PCI receives from certain clients a "performance-based" fee. These clients include "Qualified Clients," as well as the accounts of certain investors in the Partnership. PCI also manages the accounts of clients from whom PCI does not receive performance-based compensation.

PCI faces certain conflicts of interest by managing both types of accounts at the same time. These conflicts include having an incentive to favor the accounts of those clients who are charged a performance-based fee over the accounts of other clients. Such conflicts arise because PCI can potentially receive greater fees from accounts paying a performance-based fee than from other accounts. As a result, PCI may have an incentive to direct the best investment ideas to, or allocate or sequence trades in favor of, such client accounts.

In order to address these conflicts of interest, PCI has adopted a Trade Allocation Policy which prohibits favoritism of accounts. The Policy also establishes certain procedures to be followed by PCI in connection with placing trades for client accounts, including the accounts of those clients paying a performance-based fee. The Policy requires that PCI regularly review the accounts of all of its clients to determine whether any securities purchases or sales should be placed.

PCI currently does not engage in "block" transactions for its clients, including the Partnership. "Block" transactions are purchases or sales of securities entered into as a single transaction on behalf of more than one client account. Once a block trade is completed, the manager then "allocates" the trade (including amount of the security purchased or sold, and the transaction costs associated with the trade) among participating client accounts. PCI does not engage in

“block” transactions because PCI enters purchase orders for each of its clients, including the Partnership, on a “good until cancelled” or market order basis. This means that PCI determines the price at which a security for a particular client should be purchased (or sold) and places an order with a broker-dealer which provides that should the security achieve the target price, the security should be purchased (or sold) on behalf of such client. These orders remain “open” until cancelled by PCI or the orders expire.

When determining whether to place a trade for a client account, PCI takes into account certain factors, including size of the account, the relative size of the positions in the account (or the lack of positions in an account), tax considerations and the client’s investment goals. Fees payable to PCI are not a factor to be considered when determining to place trades for clients. In addition, in order to determine whether in the aggregate each client account was treated fairly over time with respect to the trades placed for clients, PCI reviews its trades at the end of each fiscal year. If such review reveals that PCI’s policy with respect to placing client trades did not result in the fair treatment of all its clients, PCI will revise its Trade Allocation Policy in order to attempt to prevent any such further unfairness.

Although PCI also receives a profit allocation in connection with it (and/or its related persons) serving as manager of the Investment Ventures, such side-by-side management of these accounts alongside the accounts of PCI clients who do not pay a performance fee does not pose the same conflicts as those discussed above. This is because the objective of the Investment Ventures is to invest in existing commercial real estate projects and development projects (or, with respect to Pacifica Capital Stacked, invest in an operating business) rather than in highly liquid exchange-traded securities.

Item 7: Types of Clients

PCI generally provides investment advice to individuals (including high net worth individuals), pension and profit sharing plans, charitable organizations, corporations, the Partnerships, and the Investment Ventures.

Although PCI does not have any minimum required investment, it generally does not manage accounts with initial deposits less than \$250,000. In addition, the Partnership and Pacifica Capital Stacked each has a minimum investment requirement of \$250,000. The remaining Investment Ventures each has a minimum investment requirement of \$100,000. PCI often waives these minimum investment requirements.

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

Methods of Analysis

PCI utilizes fundamental and cyclical analysis to provide investment advisory services to its clients. PCI generally invests in:

- Equity securities (such as exchange-listed securities, securities traded over-the counter and foreign issuers);
- Interests in partnerships investing in real estate; and
- Investments in the Partnership.

At times, a portion of a client's account may be held in a money market fund that invests in municipal securities and U.S. government securities.

Steve Leonard is a manager or partner of certain limited liability companies or limited partnerships that own real estate investments in Colorado and Southern California. Mr. Leonard is also an equity owner in these entities, and in certain cases may be compensated for services provided to an entity in which one of these entities invests. In addition, Mr. Leonard serves as a Director of a privately-held bank located in Denver, Colorado, and is an investor in such bank. PCI and certain of its clients maintain accounts at such bank. These entities themselves are not clients of PCI, but PCI clients may be, or may have been, solicited to invest in one or more of these entities, including the privately-held bank (collectively referred to herein as "Private Investment Vehicles"), which consist of the following:

- Ward Pacifica Partnership
- PID Denver II
- Pacifica Central Limited Partnership
- Pacifica Central General Partnership
- K&L Redondo Beach
- PAC-4, LLC
- Pacifica Rancho Way, LLC
- Pacifica SR4 2390 Oak Ridge Way LLC
- Kirshner/Leonard Real Estate I, LLC
- Kirshner/Leonard Real Estate II, LLC
- SR9 1935 Avenida Del Oro, LLC
- SR7 Pacifica, LLC
- Fortis Private Bank (formerly Front Range Bank)
- Pacifica Encinitas Beach, LLC
- SR10 2611 Business Park Drive, LLC
- UP Pacifica LLC
- Stacked Restaurants LLC

PCI, Steven Leonard, and/or other related persons of PCI also serve as manager or partner of a number of single purpose limited liability companies: Pacifica Capital Stacked, LLC; Pacifica Real Estate I, LLC; Pacifica Real Estate II, LLC; Pacifica Real Estate III, LLC; Pacifica Real Estate IV, LLC, Pacifica Real Estate V, LLC; RAF Pacifica Group – Development Fund I, LLC; RAF Pacifica Group – Real Estate Fund II LLC; RAF Pacifica Group - Real Estate Fund III, LLC; RAF Pacifica Group – Real Estate Fund IV, LLC; RAF Pacifica Loan Fund I, LLC; Pacifica Real Estate Santa Barbara Fund I, LLC; and Pacifica Real Estate Senior Living Fund I, LLC (each referred to herein as an "Investment

Venture"). PCI provides services to such Investment Venture in accordance with each such Investment Venture's operating documents. Please be advised that recommendations to invest in the aforementioned entities may constitute a conflict of interest in that such recommendation(s) may be viewed as being in the best interests of the firm's related persons. Any decision to invest in such entities is the sole responsibility of the prospective investor. See item 10 for additional conflict disclosure.

Investment Strategy and Related Risks

Investment strategies used by PCI in managing client accounts include:

- Long term securities purchases (i.e., securities held at least one year);
- Short term securities purchases (i.e., securities sold within one year of purchase);
- Trading (i.e., securities sold within 30 days);
- Short sales; and
- Margin transactions.

The following risks should be considered:

Equity securities. Prices of equity securities change in response to many factors, including the historical and prospective earnings of the issuer and the value of its assets, interest rates, investor perceptions and market liquidity. Equity security investment also involves certain additional risks, including industry, market and general economic related risks. Adverse developments or perceived adverse developments in one or more of these areas could cause a substantial decline in the value of equity securities. In particular, changes in stock market values can be sudden and unpredictable. Also, although stock values can rebound, there is no assurance that values will return to previous levels.

Fixed Income. Municipal securities and U.S. Government securities face risks related to interest rates, credit risk and income. Bond values are inversely related to interest rates. If interest rates go up, bond values will go down and vice versa.

Concentration of Investments. PCI generally invests client accounts in a concentrated portfolio of securities. If an investment performs poorly, this concentration could cause a proportionately greater loss than if a larger number of investments were made. If such proportionately greater loss occurs, it may adversely impact the overall return on investment realized by the client.

Private Funds. Private securities, such as investments in the Partnership, the Investment Ventures, and/or the Private Investment Vehicles, provide extremely limited liquidity. Once funds are committed to these investments, such funds typically are inaccessible for many years. Steve Leonard, as the manager of the Private Investment Vehicles and the managing member of PCI, the general partner of the Partnership and the manager of the Investment Ventures, has complete control over how the funds are invested. Once a client is committed to investing in a private security, the client is contractually obligated to meet capital calls. Failure to meet capital calls is likely to result in the client losing some or all of their investment, regardless of the circumstance. In addition to broad-based market risk, private securities also entail the risk that

the manager makes poor investment choices causing clients to lose some or all of their investment.

Additional information regarding the Partnership's methods of analysis, investment strategies, and related risks can be found in the Partnership's offering documents. Additional information regarding each Investment Venture's operations and related risks can be found in such Investment Venture's offering documents.

Investing in any publicly traded or private securities involves risk and clients may lose some and possibly all of their investment. Clients should be prepared to bear such risk of loss.

Item 9: Disciplinary Information

Neither PCI nor any of its management persons has been the subject of any legal or disciplinary events involving investments or an investment-related business.

Item 10: Other Financial Industry Activities and Affiliations

Clients of PCI are solicited to invest in the Partnership, the Investment Ventures and the Private Investment Vehicles. These entities are disclosed in the section entitled, "Methods of Analysis, Investment Strategies and Risk of Loss." PCI's relationship with these entities is material to its advisory business and could potentially pose a conflict of interest if PCI solicits clients to invest in the Partnership, an Investment Venture, or a Private Investment Vehicle based on reasons other than such clients' best interests. In particular, PCI receives both a management fee and a performance-based fee in connection with its management of the Partnership, Steve Leonard receives compensation in connection with his role as manager or director of the Private Investment Vehicles, and PCI's related persons have a participatory interest in the Partnership and the Private Investment Vehicles, and in certain cases may be entitled to receive compensation for services provided to an entity in which a Private Investment Vehicle invests. In addition, Steve Leonard and/or other of PCI's related persons have a participatory interest in the Investment Ventures, and in certain cases PCI and/or Steven Leonard and or/ PCI's related persons may be entitled to receive compensation for services provided to an entity in which such Investment Venture invests.

PCI, as a fiduciary, intends to always act in the best interests of its clients. As such, before recommending an investment in the Partnership, an Investment Venture, or a Private Investment Vehicle, PCI will first determine whether a specific client meets the eligibility requirements associated with participation in such entity and will determine whether an investment in the Partnership, Investment Venture, or Private Investment Vehicle is appropriate for such client. In addition, PCI believes that the potential conflicts of interest noted above are addressed by fully disclosing to clients PCI's and Steve Leonard's relationship with the Partnership, the Investment Venture, and the Private Investment Vehicles.

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

PCI's Code of Ethics was adopted in order to establish standards and procedures to guard against impropriety and conflict, and to reflect PCI's fiduciary obligations in accordance with federal securities laws.

PCI's principals, including Steve Leonard, have a substantial portion of their net worth invested alongside PCI clients in the same basic portfolio of stocks. To that end, PCI, Steve Leonard, PCI's employees and/or their family members (collectively referred to herein as "PCI Related Accounts"), routinely buy or sell securities that PCI purchases or sells for its clients. Such purchases or sales could be entered into at or about the same time that PCI enters into purchases or sales of the same securities on behalf of client accounts. This practice can potentially raise conflicts of interest, for example, if Steve Leonard or a PCI employee recommends the purchase for client accounts of securities they own personally or if the employee buys a security before clients or sells a security that clients continue to hold.

Purchases and sales by PCI Related Accounts are made in compliance with PCI's Code of Ethics, which prohibits certain acts to avoid potential conflicts of interest. In particular, the Code provides that no "Access Person" (as defined in the Code) may engage in personal securities transactions with respect to initial public offerings ("IPOs") or limited offerings without obtaining advance preclearance of such transactions. In addition, each Access Person must obtain advance preclearance with respect to entering into any securities trades opposite a trade being made for a client account (with certain limited exceptions). The Code also prohibits PCI's "Supervised Persons" (as defined in the Code) from profiting personally as a result of using knowledge about pending or currently considered securities transactions for clients. Securities trades by PCI Related Accounts are also made in compliance with PCI's Trade Allocation Policy.

PCI analyzes all client accounts, as well as PCI Related Accounts, on an individual basis and in a systematic order. Most trades are placed online during this review process in the order that the accounts are reviewed. The process for entering purchase and sale orders is as follows:

Purchases. The market price of a security usually is higher than the buy price range, and as a result PCI will enter "good until cancelled" order(s) within the buy target price range. Multiple open orders to purchase a given security at a descending price level may be entered, depending on the following factors:

- Amount of cash available in the account
- The size of the account
- Whether the position is currently in the account
- The relative size of a particular security's position in an account

Sales. For positions already in the account, similar factors are considered and "good until cancelled" order(s) to sell at an ascending price may be entered.

With respect to all trades, consideration is given to each account individually based on several factors including:

- Size of the account
- Relative size of the positions in the account (or the lack of positions in the account)
- Tax considerations
- The investment goals of the client

PCI and its Access Persons seek to avoid even the appearance of front-running a client account. As a result, where an Access Person seeks to place a “good until cancelled” order for his or her own account in a security for which “good until cancelled” orders already have been placed (or are anticipated to be placed) on behalf of client accounts, such Access Person will set a target price on behalf of his or her own account that attempts to ensure that trades for client accounts will be placed prior to any trades in such Access Person’s account. In certain instances, this activity could result in the Access Person obtaining a price on such security that is favorable to the price received on behalf of the client accounts. PCI believes, however, that such price difference will be de minimus.

Because PCI invests primarily in equity securities traded on national securities exchanges and on the NASDAQ Stock Market, there generally are sufficient quantities of such securities to satisfy the accounts of PCI clients and PCI Related Accounts. In the unlikely event that PCI determines to invest client accounts in a thinly-traded security or other security that could have an insufficient quantity to satisfy the eligible client accounts, PCI will allocate such trades to client accounts in compliance with its Trade Allocation Policy, which is designed to ensure that each account is treated fairly and that trading does not result in certain accounts being treated preferentially over time.

A copy of PCI’s Code of Ethics, as well as its Trade Allocations Procedures, will be provided to any client or prospective client upon request.

Steve Leonard, PCI and/or its related persons may advise clients to purchase interests in the Partnership, the Investment Ventures, or the Private Investment Vehicles. PCI receives compensation (as outlined above) for managing and advising the Partnership, PCI and/or Steven Leonard receives compensation for managing the Investment Ventures or serving as a director, employee or agent of the operating company in which such Investment Venture invests (as outlined above), and Steve Leonard receives compensation for managing, or serving as the director of, the Private Investment Vehicles. In addition, PCI’s related persons, including Steve Leonard, generally have an ownership interest in the Partnership, the Investment Ventures, and the Private Investment Vehicles. PCI’s and Steve Leonard’s relationship with these entities could potentially pose a conflict of interest if PCI solicits clients to invest in the Partnership, an Investment Venture, or a Private Investment Vehicle based on reasons other than such clients’ best interests. Such conflicts are based on the possibility that by recommending to clients that they invest in the Partnership, an Investment Venture, and Private Investment Vehicles, PCI and/or Steve Leonard is basing such recommendation on a desire to increase the value of such vehicles and/or increase the fees received from such vehicles. However, PCI, as a fiduciary, intends to always act in the best interests of its clients. As such, before recommending an investment in the Partnership, an Investment Venture, or a Private Investment Vehicle, PCI determines whether an investment in the Partnership, an Investment Venture, or Private Investment Vehicle is appropriate for the client.

In addition, PCI believes that the potential conflicts of interest noted above are addressed by fully disclosing to clients PCI's and Steve Leonard's relationship with the Partnership, the Investment Ventures, and the Private Investment Vehicles.

Item 12: Brokerage Practices

Custodian Recommendations

PCI may recommend that clients establish brokerage accounts with Charles Schwab & Co., Inc., TD Ameritrade Institutional, a division of TD Ameritrade, Inc., or UBS (hereinafter collectively "custodian"), FINRA registered broker-dealers, members SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although PCI may recommend that clients establish accounts at the custodian, it is the client's decision to custody assets with the custodian. PCI is independently owned and operated and not affiliated with custodian. For PCI client accounts maintained in its custody, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

PCI considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

In certain instances and subject to approval by PCI, PCI will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by PCI will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

How We Select Brokers/Custodians to Recommend

PCI seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- 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 client accounts)
- 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 us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

Client's Custody and Brokerage Costs

For client accounts that the firm maintains, the custodian generally does not charge clients separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into the custodian's accounts. The custodian's commission rates applicable to the firm's client accounts were negotiated based on the firm's commitment to maintain a certain minimum amount of client assets at the custodian. This commitment benefits the client because the overall commission rates paid are lower than they would be if the firm had not made the commitment. In addition to commissions, the custodian charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that the firm has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the client's custodian account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize the client's trading costs, the firm has the custodian execute most trades for the account.

Soft Dollar Arrangements

As a result of the firm's recommendation to clients to custody assets with a specific custodian, the firm is deemed to be in receipt of soft dollar benefits from said custodian. These soft-dollar benefits are in the form of institutional trading and custody services, other products and services, and additional compensation received from custodians. Please refer to the following sections for disclosure of such benefits.

Institutional Trading and Custody Services

The custodian provides PCI with access to its institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Other Products and Services

Custodian also makes available to PCI other products and services that benefit PCI but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of PCI's accounts, including accounts not maintained at custodian. The custodian may also make available to PCI software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of PCI's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

The custodian may also offer other services intended to help PCI manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

The custodian may also provide other benefits such as educational events or occasional business entertainment of PCI personnel. In evaluating whether to recommend that clients custody their assets at the custodian, PCI may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

Independent Third Parties

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to PCI. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to PCI.

Additional Compensation Received from Custodians

PCI may participate in institutional customer programs sponsored by broker-dealers or custodians. PCI may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between PCI's participation in such programs and the investment advice it gives to its clients, although PCI receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations

- Research-related products and tools
- Consulting services
- Access to a trading desk serving PCI participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to PCI by third-party vendors

The custodian may also pay for business consulting and professional services received by PCI's related persons, and may pay or reimburse expenses (including client transition expenses, travel, lodging, meals and entertainment expenses for PCI's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit PCI but may not benefit its client accounts. These products or services may assist PCI in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help PCI manage and further develop its business enterprise. The benefits received by PCI or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

PCI also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require PCI to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, PCI will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by PCI's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for PCI's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, PCI endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by PCI or its related persons in and of itself creates a potential conflict of interest and may indirectly influence PCI's recommendation of broker-dealers for custody and brokerage services.

The Firm's Interest in Custodian's Services

The availability of these services from the custodian benefits the firm because the firm does not have to produce or purchase them. The firm does not have to pay for the custodian's services so long as a certain minimum of client assets is kept in accounts at the custodian. This minimum of client assets may give the firm an incentive to recommend that clients maintain their accounts with the custodian based on the firm's interest in receiving the custodian's services that benefit the firm's business rather than based on the client's interest in receiving

the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. The firm believes, however, that the selection of the custodian as custodian and broker is in the best interest of clients. It is primarily supported by the scope, quality, and price of the custodian's services and not the custodian's services that benefit only the firm.

Wedbush Morgan Securities, Inc.

As discussed above in the section entitled, "Advisory Business," PCI participates in the Independently Managed Advisory ("IMA") program offered by Wedbush Morgan Securities, Inc. ("WMS"), a securities broker-dealer. In connection with the IMA program, PCI provides investment management services to clients participating in the program, and receives fees from such clients as discussed above in the section entitled "Fees and Compensation." PCI pays to WMS a fee in connection with referring IMA program clients to PCI. It should be noted that if a client is referred by a brokerage firm such as WMS and trades for that client are placed through the referring broker, PCI has a potential conflict of interest between the client receiving best execution and PCI receiving future referrals from the brokerage firm. Clients retaining PCI as part of the IMA program designate the use of WMS as the broker/dealer for their account.

As discussed in more detail above in the section entitled "Performance-Based Fees and Side-by-Side Management," PCI does not engage in "block" transactions, in which trade orders for clients are aggregated and placed as a single order. PCI generally follows a policy of entering trade orders for each of its clients on a "good until cancelled" basis, thereby making block trading impracticable.

Item 13: Review of Accounts

All investment advisory accounts of PCI are reviewed regularly, generally not less than every 90 days. Larger accounts and the accounts of the Partnership are reviewed more frequently because of their size and the greater number of holdings in such accounts. Review frequency with respect to any account increases for reasons including:

- Contributions or withdrawals of cash;
- A client advising PCI of an investment goal change; and
- Market volatility increases.

Accounts reviewed with greater frequency will likely engage in more frequent trading. Each account is reviewed on an individual basis, and issues specific to that account are considered in the review process.

Most account reviews are conducted by Steven C. Leonard, the Principal and Managing Principal of PCI, who has primary responsibility for such accounts. In addition, Kari Pemberton, PCI's Principal and Chief Investment Officer, has primary responsibility for approximately 67 accounts. Ms. Pemberton reviews accounts in accordance with client investment objectives and restrictions and engages in regular discussions with Mr. Leonard regarding securities, pricing and other considerations.

Individually Managed Accounts

As soon as practical following the end of each calendar quarter, PCI prepares reports for its clients. The contents of the reports may vary, but generally include:

- An assessment of current market and economic conditions;
- A discussion of some or all of the securities held in the account;
Performance results of the account for the year to date and inception to date periods in which a comparison is made against the S&P index;
- Estimated year to date management fees; and
- Often, a discussion of PCI's investment strategy and/or investment philosophy.

Annual reports also are provided as soon as practical after the end of each calendar year with a calculation of the management fees due for that year.

Partnership

PCI distributes audited financial statements of the Partnership to Limited Partners within 120 days of the end of such fiscal year. Each Partner also receives quarterly estimated progress reports and certain other reports as PCI may deem appropriate. The estimated performance statistics represent the performance of the Partnership for the period indicated and do not necessarily represent the performance of any individual Partner's capital accounts.

Investment Ventures

Investors in the Investment Ventures receive from PCI an unaudited year-end balance sheet and profit and loss statements as soon as practicable after the end of each fiscal year; and all tax information relating to such Investment Ventures as is necessary for the preparation of each investor's income tax returns. In addition, PCI has instructed the custodian of each Investment Venture's account to send an account statement to each investor on at least a quarterly basis.

Item 14: Client Referrals and Other Compensation

PCI has entered into client solicitation agreements with certain third-party solicitors. Pursuant to these agreements PCI may compensate such solicitors for client referrals. PCI pays to its solicitors a fee of up to 50% of the Performance Fee and up to 60% of the Base Management Fee with respect to clients referred by a solicitor. Such solicitors, including WMS, therefore have a financial incentive to recommend PCI's services. Such arrangements will comply with the cash solicitation requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with PCI. The solicitor must provide the client with a disclosure document describing the fees it receives from PCI, whether those fees represent an increase in fees that PCI would otherwise charge the client, and whether an affiliation exists between PCI and the solicitor.

Item 15: Custody

PCI is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. PCI urges its clients to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.
- Our authority to direct client requests, utilizing standing instructions, for wire transfer of funds for first-party money movement and third-party money movement (checks and/or journals, ACH, Fed-wires). The firm has elected to engage an independent public accountant to annually conduct a surprise custody exam audit.
- The firm or its affiliate is a managing member or general partner to a private fund vehicle. An independent public accountant annually audits a pooled investment vehicle(s) the firm manages and the audited financial statements are distributed to the investors in the pooled vehicle within 120 days from the end of the private fund's fiscal year end or 180 days in the event of a feeder/master fund structure. Private fund investors will receive fund level statements of all activity, cash balances, and portfolio holdings on a quarterly basis from their qualified custodian.

Item 16: Investment Discretion

PCI's investment advisory agreement, which clients are required to sign prior to PCI assuming investment management responsibility, specifies that PCI has discretionary authority to manage securities accounts on behalf of clients. Clients also appoint PCI as their attorney-in-fact as part of such agreement.

Clients may request that PCI not purchase certain securities or groups of securities (such as by industry or based on social criteria) for their accounts and PCI strives to comply with such requests. Such restrictions customarily include requirements that specific securities remain in a client's account, and/or that such account should recognize only a minimal amount of gain for income tax purposes.

Item 17: Voting Client Securities

PCI does not vote proxies with respect to securities held in its clients' accounts. Rather, PCI's clients retain responsibility for voting such proxies. In addition, PCI does not vote proxies on behalf of the Partnership.

PCI also does not take any action or render advice involving legal matters, including securities class actions, on behalf of clients with respect to securities or other investments held in client accounts. PCI does not respond to client questions regarding particular proxy solicitations. The account custodian sends proxy and class action information directly to PCI's clients. In the event that PCI receives any such material on behalf of a client, it will promptly forward that material to the client.

Except as required by applicable law, PCI will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

Item 18: Financial Information

PCI is not subject to any financial condition reasonably likely to impair its ability to meet contractual commitments to clients.