

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



**Private Capital Management, Inc.  
100 Larkspur Landing Circle, Suite 112  
Larkspur, CA, 94939**

**March 10, 2021**

**Item 1 Cover Page**

**This brochure provides information about the qualifications and business practices of Private Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at (415) 464-9700 and/or [jramos@pcmwealth.com](mailto:jramos@pcmwealth.com). 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 Private Capital Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2 Material Changes**

**This item describes any material changes to our brochure since the last annual update submitted March 31, 2020.**

On May 29, 2020, our firm moved to 100 Larkspur Landing Circle, Suite 112 in Larkspur, CA 94939.

On March 10, 2021, we submitted our annual updating amendment filing for fiscal year 2020. Our affiliated private fund, PCM Real Return Fund, LP has been closed and all assets have been distributed to its partners, including clients previously invested in the fund. Therefore, we no longer have custody of client assets related to the fund and we no longer charge performance-based fees. Items 6 and 15 of our brochure have been updated accordingly.

Item 5 was updated with the following changes:

- Our minimum quarterly service fee for investment advice on non-managed accounts is \$3,750/quarter.
- The minimum account size is \$2,000,000 for managed accounts.

Item 15 has also been updated to reflect that we are deemed to have custody of client assets where we accept standing letters of authorization from clients to transfer assets to third parties. We maintain safeguards in accordance with regulatory requirements regarding custody of client assets. Clients will receive account statements at least quarterly from the broker-dealer or other qualified custodian holding their assets. Clients are urged to review custodial account statements for accuracy.

Item 10 was updated to clarify that while Mr. Ramos is insurance licensed, he does not sell insurance products to advisory clients or earn insurance commissions for the sale of insurance products to clients.

Item 14 was updated to disclose that we compensate unaffiliated, non-employee outside individuals and/or entities for client referrals. You will not pay additional fees because of this referral arrangement.

### **Item 3 Table of Contents**

**This item shows a table of contents for this document.**

Page Number

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

## **Item 4 Advisory Business**

**This item gives you information about our advisory business.**

We (Private Capital Management, Inc.) are an SEC Registered Investment Adviser (RIA) and are “notice filed” with the State of California Department of Corporations. This updated brochure is in compliance with the annual update requirement, based on our fiscal year end, which is December 31, 2018.

Mr. Ramos began as a sole proprietor Investment Advisor in October 1998, then in May 2002 created this Corporate Investment Advisor and transferred all his clients to this new registered entity. In general, we give advice concerning the following types of investments: Mutual Funds, stocks and bonds listed on an exchange or traded over-the counter, municipal bonds, foreign securities, warrants and corporate bonds, commercial paper, variable/fixed life & annuity contracts, US government securities, options contracts on securities, private placements investing in real estate and other interests, hedge funds, certificates of deposit and other bank related products.

We and, under our supervision, our Investment Advisor Affiliates, also commonly called Investment Advisor Representatives, may provide investment supervisory services to you and other clients. We were managing approximately \$161,334,463 in client assets as of December 31, 2020, broken down as follows: approximately \$143,548,946 in assets managed on a discretionary basis, and approximately \$17,785,517 in assets managed on a non-discretionary basis. We utilize the clearing and custody services of various clearing brokers, but the majority of these services are through Schwab Institutional. The rest are primarily through Fidelity Institutional, E\*Trade, Nationwide Advisory, Wells Fargo, and My529; and other employer 401k plans primarily include Future Plan, ADP and American Funds. Upon request, we will consider other custodians.

These investment advisory services are provided on a discretionary basis. However, we follow a strict investment advisory discipline in establishing investment strategy and portfolio diversification guidelines that are consistent with your risk and return objectives. We will assist you in determining, among other things, your suitability for our investment advisory services by identifying your investment objectives, investment time horizons, and investment risk tolerances. Through our own analysis, research, investment style, strategy, ongoing management philosophy and asset allocation modeling, we will advise you as to which securities to purchase and or sell. In determining allocation strategies, we profile your return objectives, investment constraints, tax position, and risk tolerances.

We may also give you investment advice without providing on-going management or supervisory services. This may include, but would not be restricted to, consultation on asset allocation modeling, performing a portfolio appraisal and analysis, or preparing an historical performance analysis.

Upon your authorization, we or our Investment Advisor Affiliates may purchase or sell for you, among other things, no-load and load-waived mutual funds. Currently, we favor the use of very low cost institutional mutual funds that are not otherwise available directly to the public or through commissioned brokers and wire houses.

At your request, we may choose to broaden the scope of our investment advice and include our wealth management services.

Wealth Management = Investment Consulting + Advanced Planning + Relationship Management

Advanced planning addresses all of your assets, not just your liquid or semi-liquid assets, and includes four primary areas: wealth enhancement, wealth transfer, wealth protection, and charitable gifting. Relationship management involves three key tasks: first, fully understanding your critical needs and meeting those needs over time through a consultative process; second, assembling and managing a network of financial experts; and, third, working effectively with your other professional advisors, such as

your various brokers, attorneys, and accountants.

#### **Item 5 Fees and Compensation**

**This item gives you information about the fees or other compensation we may receive from you or from others in connection with or as a result of giving you investment advice.**

We charge an annual management fee (“account fee”) starting at 1.25% of Portfolio Value. These account fees are paid quarterly, in advance, and will be pro-rated if applicable.

If we give you investment advice without providing on-going management or supervisory services, we normally charge fixed fees that are based on the value, extent and complexity of the service.

These fees are paid quarterly, in advance, with a minimum \$3,750 quarterly service fee.

Under certain circumstances, it may be difficult to set a fixed fee based upon the open nature of the engagement - such as expert witness testimony - and under these circumstances, an hourly fee will be charged. The hourly fee currently is set at \$500 per hour. Hourly fees will require a retainer of \$5,000 in advance and will be billed monthly in arrears. We will refund any unused retainer.

The agreement may be terminated by either party effective upon receipt of written notice to the other party. If you wish to cancel the Agreement, you may do so free of penalty within 5 business days of signing and we will refund any pre-paid management fees or other fees to you.

In addition to the above fees that we may charge, other firms charge fees that help defray costs associated with trade execution. These charges may include Brokerage Fees and Expenses, Custody Fees and Expenses, various Mutual Fund fees and expenses, insurance fees and expenses, Qualified Retirement Plan fees and other costs. These transaction charges are deducted automatically by those firms and appear on your client trade confirmations that they send to you. We do not receive any part of those fees. Further information regarding charges and fees assessed are available in the appropriate product’s prospectus.

(Also, please see Item 12, Brokerage Practices.)

You do not have to use our advice or the brokers, insurance companies or custodians we suggest but may use other brokers to purchase products.

The minimum account size is \$2,000,000. Under certain circumstances, we may reduce that minimum.

All fees are negotiable.

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

**This item discusses whether we charge any Performance-Based Fees and, if we do, the procedures we have set up to protect you.**

We do not charge Performance-Based Fees.

#### **Item 7 Types of Clients**

**This item tells you about the types of clients to whom we give investment advice.**

In general, we provide investment advice to individuals (primarily high net worth individuals), pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

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

**This item discusses the way we analyze securities investments, the investment strategies we use in suggesting investments for you and the risk of loss you may run in making investments.**

We may use charting and fundamental analysis or technical analysis in looking at your accounts. One of the reasons that we utilize more than one type of analysis is to reduce risks induced by utilizing only one type of analysis (see discussion of risk below).

The investment strategies we use include Long Term Purchases, (securities held at least a year), Short Term Purchases (securities sold within a year), Margin transactions and Option writing, including covered options and uncovered options. We may also suggest that you use Private Placements and Hedge Funds.

Every type of investment analysis has its drawbacks and risks (see discussion of risk above). So does each type of investment strategy. Many of the risk factors discussed below apply to the various types of analysis and strategy.

There is always SOME risk connected with investing, whether securities, whether investing in securities, certificates of deposit or in any other type of investment. There is risk of loss of principal and also risk of loss of purchasing ("buying") power. We attempt to do our best to help you reduce both risks over time. You must be prepared to accept these risks. One way to lessen risk is to diversify your investment portfolio so that when some fall in value others may rise in value, or not fall as much in value.

Our job as your investment advisor is to help you manage these risks by suggesting strategies that may reduce your exposure to excessive concentration in any sector of the investment spectrum. However, you must make the final decisions because it is your money that is involved and you best know what you want and what you can accept in the way of risk.

Below is a discussion of some types of risk that you may encounter in securities investing:

### **Credit risk**

The issuer of a security in which you invest, either directly or through a mutual fund, may default (may be unable to pay the principal or to make interest payments, or otherwise fulfill its obligations to investors) or in some cases may decide to stop or reduce dividends.

### **Economic risk**

The state of the nation's or the world's economy may change drastically and that may well affect your investments.

### **Foreign exchange risk.**

If you invest in a foreign security, for example, it may go up in value, but when you sell it and attempt to turn it into cash from selling it you may find that a change in the rate for exchanging foreign funds into US dollars wipes out some or all of your profit.

### **Inflation Risk**

Investors typically are locked into the interest rate paid on municipal bonds. If inflation should rise dramatically, the after inflation return on bonds can be negatively affected. As a result, the bond would likely lose value in the open market.

#### Interest rate risk.

If you are investing to realize a certain amount of income and that income stream is dependent on the investment paying a certain interest rate, changing conditions may affect that interest rate and your income from that investment. If rates in the market rise, the underlying market value of existing bonds with a lower yield can decline. If you decide to sell a bond before maturity, this could result in a loss of principal value.

#### Liquidity risk.

The ability to sell a bond in the open market requires a buyer. If an investment has gained value since you bought it but you can't find a buyer for it when you want to sell it, it is illiquid at that point, and you may not be able to liquidate it for current intrinsic value. Some bonds, from smaller issuers in particular, may not have broad appeal to investors, potentially driving down the price in the open market.

#### Management risk

If you are investing in mutual fund shares and the particular mutual fund is an "actively managed fund" then there is no guarantee that the investment manager's decisions regarding investment techniques, risk analysis and other matters will produce the desired results that you are seeking.

#### Market risk.

In making an investment, you are usually betting that the market will behave in a way that will be to your advantage. That does not often hold true over a short period of time and it sometimes does not even hold true over a long period either.

#### Revenue Risk

Bonds that are dependent on revenue streams from specific projects such as toll roads and bridges may rely on the ability of the project to meet revenue projections (note that many municipal bonds are backed by the taxing authority of the issuer, rather than a revenue source as outlined here).

#### Volatility Risk

This is the measure of uncertainty in the future price of an asset. It is a measure of price fluctuations over time represented by annualized standard deviation. If an asset has rapid dramatic price swings, volatility will be high. If asset price is consistent and rarely changes, volatility will be low.

### **Item 9 Disciplinary Information**

**This item discusses any disciplinary events that have involved this firm.**

There have been no disciplinary problems involving our firm or any of our firm's personnel.

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

**This item discusses any other financial industry activities and associations of us or of our executive officers.**

We may also give advice to you on matters not involving investment advisory services or securities. We may provide wealth management services, which include: financial planning, tax planning, estate planning, charitable planning, and similar consulting services for you if you desire financial advice that may include the analysis of your financial position, goals, objectives, and other relevant facts. Such matters may include, but are not limited to, advice regarding income and estate taxation, Non-Qualified and Qualified employee compensation planning, business continuation planning and risk management

planning.

Mr. Ramos has agent and/or broker relationships with several insurance companies. He has access to institutional "no-load" insurance products that are available to the firm's clients on a fee basis.

While Mr. Ramos is insurance licensed, he does not sell traditional commissionable insurance products to advisory clients.

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

**This item refers to our Code of Ethics and how you may obtain a copy.**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions.

The Code of Ethics (the "Code") requirement was adopted by the Securities & Exchange Commission under Section 204 of the Investment Advisers Act of 1940 to set forth standards of conduct and fiduciary standards expected of advisors and their personnel. We have a strict and detailed Code of Ethics that must be adhered to by our personnel. Our Code of Ethics is summarized as follows:

- The Code was prepared with the general principal to always place the interests of clients first.
- In compliance with the Code, all Advisor Affiliates and employees are required to report their personal securities account held with any broker upon joining the firm and then annually thereafter. Affiliates are also required to provide duplicate confirmations and statements to the firm at least on a quarterly basis. Advisor Affiliates and employees are to conduct all personal securities transactions in a manner consistent with the Code and to avoid any actual or potential conflict of interest.
- We and our Advisor Affiliates must maintain confidentiality of all information concerning the identity of security holdings and financial circumstances of clients.
- In servicing clients' accounts, Advisor Affiliates must not take inappropriate advantage of their positions. For instance, in connection with the purchase or sale of a security, Advisor Affiliates may not, directly or indirectly, mislead or defraud a client regarding a security held or to be acquired by a client in any manner.
- Our Advisor Affiliates and other employees are encouraged to report any violation of the Code to the Chief Compliance Officer (or his/her designee).

We will provide you with a copy of our Code of Ethics if you request it.

We will also provide you with a copy of the Privacy Policy and the Firm Brochure of any third party sub advisor we use if you request it.

From time to time we or certain persons associated with us may buy, own or sell the same security that is bought, owned or sold by you (but not necessarily in the same manner). We may also recommend that you purchase or sell securities that we or they already hold. Any such event will only be in a security that is widely held and normally immediately marketable or redeemable such as "mutual funds" or individually



listed stocks or bonds on a national exchange or on the over-the-counter market. Nevertheless, this could present a potential conflict of interest because we might consider our own interests instead of your interests.

We and persons associated with us are not allowed to sell securities from our own accounts to you; we and they are not allowed to purchase securities from you for our own accounts.

Our Investment Advisor Affiliates must meet certain Education and Business Standards as follows: They generally must have two or more of the following designations or skills – a minimum of a four-year college degree, preferably five years related work experience, hold or working toward the Certified Financial Planner (CFP)\*, Certified Public Accountant (CPA), or Chartered Financial Analyst (CFA) designations or a Masters of Business Administration or law degree. In addition, our Investment Advisor Affiliates must meet all state and federal licensing registration requirements necessary to be an Investment Advisor Representative.

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The *Standards* prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP

Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

**Certified Public Accountant (CPA)** CPAs are licensed and regulated by their state boards of accountancy. While state laws and regulations vary, the education, experience and testing requirements for licensure as a CPA generally include minimum college education (typically 150 credit hours with at least a baccalaureate degree and a concentration in accounting), minimum experience levels (most states require at least one year of experience providing services that involve the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, all of which must be achieved under the supervision of or verification by a CPA), and successful passage of the Uniform CPA Examination. In order to maintain a CPA license, states generally require the completion of 40 hours of continuing professional education (CPE) each year (or 80 hours over a two-year period or 120 hours over a three-year period). Additionally, all American Institute of Certified Public Accountants (AICPA) members are required to follow a rigorous *Code of Professional Conduct* which requires that they act with integrity, objectivity, due care, competence, fully disclose any conflicts of interest (and obtain client consent if a conflict exists), maintain client confidentiality, disclose to the client any commission or referral fees, and serve the public interest when providing financial services. The vast majority of state boards of accountancy have adopted the AICPA's *Code of Professional Conduct* within their state accountancy laws or have created their own.

## **Item 12 Brokerage Practices**

**This item discusses the way we handle brokerage activities for you and for our other clients.**

We recommend brokers to handle your securities transactions based on several factors: Our evaluation of the reasonableness of their commission and other fee structure, their financial strength and their reputation in the securities industry.

You may, however, select any broker for the purposes of making purchases and sales of securities on your own behalf in implementation of investment supervisory and consulting services performed under the client agreement. You are not obligated to implement investment supervisory recommendations or utilize our services or those of any particular broker.

## **Item 13 Review of Accounts**

**This item describes how we review your accounts and any reports you may receive.**

We will be available to perform reviews on a quarter-annual basis. We will also be available for more frequent reviews should a change occur to your circumstances, goals or objectives that may warrant a review, or if you request us to do so from time to time.

Most accounts will receive detailed quarterly or annual evaluation reports describing the performance and positions in your accounts. In addition to performance reports, the executing brokers and other third party custodians will transmit to you trade confirmations and account statements showing all transactions and positions, plus all deposits and withdrawals of principal and income. The account statements are sent monthly by most custodians or at a minimum on a quarterly basis. Copies of all the aforementioned information will be forwarded by third party custodians directly to you.

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

**A. This item discusses any compensation we may receive for referring you to other parties or**

**any other compensation we may receive from persons other than yourself for giving you investment advice.**

We do not accept any sales awards, prizes, cash, or other compensation for providing investment advice or recommending products to our clients, from any other parties.

**B. This item describes compensation we may pay to others for referring clients to us.**

We may directly compensate non-employee (outside) individuals and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this brochure along with the Solicitor's disclosure statement at the time of the referral. Whether or not you become a client, the Solicitor that referred you to our firm may receive a one-time flat referral fee. You will not pay additional fees because of this referral arrangement.

In some cases, referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm and may include on-going fees to that solicitor as described in their Solicitor's disclosure statement. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. Solicitors that refer business to more than one investment adviser are presumed to have a financial incentive to recommend advisers with more favorable compensation arrangements. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

**Item 15 Custody**

**This item reveals any types of custody we may have or may accept in the future.**

We do not accept custody of any client assets. Your investments will be held by third party custodians, such as Schwab Institutional. You should never write a check to PCM other than for the payment of fees. Investment checks should be written directly to the custodian or investment provider.

There are two possible exceptions: 1) If you have granted us a limited power of attorney that allows us to deduct our fee from your account or you have granted us authority to move money to another person's account, government regulations deem this as custody, however, Schwab [or other custodian] maintains actual custody of your assets. Those custodians will send you periodic statements detailing all transactions. You should review those statements when you receive them. 2) We are also deemed to have custody of client assets where we accept standing letters of authorization from clients to transfer assets to third parties. We maintain safeguards in accordance with regulatory requirements regarding custody of client assets. Clients will receive account statements at least quarterly from the broker-dealer or other qualified custodian holding their assets. Clients are urged to review custodial account statements for accuracy.

**Item 16 Investment Discretion**

**This item discusses any types of investment discretion we may have or may accept to make securities trades for you.**

We have the authority to determine, after receiving your signed Limited Power of Attorney for a brokerage account or similar third party custodial account, the securities to be bought and sold as set forth in your client agreement unless your client agreement is amended to be non-discretionary. If you select a third-party manager program, you may grant the third party manager the authority to determine, without your consent, the securities to be bought or sold. For a description of the limitation of authority, please refer to the disclosure document provided by the chosen third-party manager(s).

We will suggest brokers to execute trades or maintain custody of your securities for you.

**Item 17 Voting *Client* Securities**

**This item discusses our policy regarding voting proxies or other matters concerning your securities.**

We do not vote client securities or proxies.

Usually the transfer agent of the company issuing the security will send proxy materials or other solicitations directly to you. In some cases, they will send those materials to your custodial broker. If you do not receive these materials directly and wish to do so, you can contact the issuer's investor services department or the custodial broker to request that information.

**Item 18 Financial Information**

**This item shows any financial information we must provide to you.**

There are no factors that require us to provide any financial information under this item.