Private Capital Management, Inc.

Portfolio management through a conservative, risk-managed approach

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A resource for individuals, institutions and businesses who desire full-time management of their investment portfolios in a conservative, risk-managed approach.

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Full-Time, Professional Investment Management

Many of our clients have been successful investors in their own right.

Over the years, however, their priorities have changed and they made the decision to entrust their portfolios to a manager who matched their investment philosophies.

We take that vote of confidence very seriously.

Continuous Portfolio Oversight

"An investor cannot earn superior profits from stocks simply by committing to a specific category or style. He can earn them only by carefully evaluating facts and continuously exercising discipline."

Warren Buffett

Change and Investment Suitability

- Markets change.
- Investment policies are rewritten.
- Fund managers move on to other challenges.
- Investment companies evolve, sometimes for the better, other times for the worse.
- Investment approaches that work in one market environment, may not work in another.

Change is a constant in the financial markets.
It continually impacts the suitability of an investment.

Investment Objective

At Private Capital Management, we are committed to the continuous exercise of discipline and in-depth research. By monitoring changes in the mutual fund universe and financial markets and incorporating that information in our investment approach, we strive to assure that our client portfolios are invested with leading fund managers.

Thomas E. Meade
Founder and President

Prior to founding Private Capital Management, Inc. in 1994, Thomas E. Meade spent more than 20 years in the financial industry as both an investment professional and executive. He has served as:

- President of Fidelity Brokerage Services, Inc, a division of Fidelity Investments, the nation's largest mutual fund company;
- President and Chief Operating Officer of Kemper Securities Group Holdings and a member of the Board of Directors of Kemper Financial Companies.
- Chairman, President and Chief Executive Officer of Boettcher & Company and Boettcher Investment Corp.
- Senior Vice President of A.G. Edwards and Sons, Inc. - one of the most profitable securities firms nationwide. Tom served as a member of the Executive Committee and on the Board of Directors. His career with the firm included the positions of investment broker, branch manager and regional manager.

Tom was elected a member of the Board of Governors of the National Association of Securities Dealers (NASD) and the Regional Firms Committee of the Security Industry Association and has held numerous community leadership positions.

Successful investing requires five key qualities…

- An intense interest in investing.
- The time and experience needed to manage your account in changing market environments.
- The emotional temperament to develop and consistently implement an investment strategy regardless of current media coverage.
- An understanding of the risk of investing and a realistic approach to manage that risk.
- The focus to continually monitor your portfolio.

PCM Services Encompass:

1. Developing the right asset allocation and risk level for your portfolio, based on your personal financial situation.
2. Selecting investments that we feel offer the greatest long-term potential for solid perform-ance that fit your portfolio's asset allocation.
3. Continually monitoring and adjusting your portfolio to adhere to the agreed asset allocation and to minimize the risk of over-exposure to certain asset classes.

PCM Services

4. Maintaining an on-going review of selected funds and the universe of no-load funds to:
   - Determine when a fund no longer meets our criteria and should be replaced in your portfolio,
   - Assure high caliber investment options for new monies and reallocations.
5. Monitoring tax implications of distributions and recommending portfolio changes when needed for tax efficiency.

PCM Services

6. Keeping you informed of the performance of your portfolio and, through annual reviews and personal availability, assuring your portfolio continues to match your investment needs.

Portfolio Design

Private Capital Management portfolios are composed primarily of commission-free mutual funds, including instances when, as a Registered Investment Advisor, we are able to acquire a load fund without a commission.

Our rationale is simple. Any time you pay a load or commission, you decrease the earning power of your account without necessarily gaining any improvement in performance.

Advantages of Mutual Funds

- Diversification among hundreds of individual companies, minimizing individual stock risk.
- Extensive research capabilities and strong stock selection skills.
- Established investment approaches that dictate portfolio composition.
- Portfolio managers with known track records in full market cycles.

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Advantages of Mutual Funds

- Extensive industry research data to assist in fund selection.
- The ability to modify fund positions quickly at minimal or no cost, including liquidating accounts.

Transaction fees and early redemption fees may apply in some instances. These expenses are typically a fraction of the cost of buying or selling individual stocks or bonds.

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Diversified Portfolio Models

At PCM, we use a proprietary fund selection process to develop diversified portfolio models of commission-free mutual funds.

- Asset allocations within each portfolio are weighted based on expectations as to which sectors and asset classes offer the greatest return potential with respect to the amount of risk we are willing to assume.
- Weightings change as market conditions change.

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Proprietary Fund Selection Process

PCM's proprietary fund selection process creates a ranking of funds suitable for investment from which funds for the targeted asset allocations are selected. Criteria include:

- Three-year cumulative returns,
- Bear market performance,
- Rankings by leading investment analysis services, and
- Other variables.

This information is combined with in-depth knowledge of the fund companies and managers, and news analysis of changes within the funds and investment companies, to prioritize buy and sell candidates.

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Client Responsiveness

*Our clients are our **Absolute Top Priority**.*

We are committed to:

- Being available to answer your questions.
- Responding promptly to changes in your personal situation and investment needs.
- Providing you with regular information on our views of the financial market and your investments.
- Timely, informative quarterly statements that clearly show investment progress.
- Maintaining honest, open client relationships that put your interests first.

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Client Accountability and Reporting

- On any given day, we can provide clients with performance data for their account based on the previous day's close.
- Monthly statements and trade confirmations are received directly from the selected custodian. Primary custodians are Charles Schwab & Company and Fidelity Investments.
- Frequent letters from PCM share our investment viewpoints and the insights of others in the financial industry with our clients.

Client Accountability and Reporting

- On a quarterly basis, clients receive consolidated reports showing current allocations and positions within their portfolios. Year-end reports summarize realized gains and losses.
- In addition to regularly scheduled reports, any reports are available at any time upon request.

Compensation

Our services are fee-based. We receive no commissions or sales charges, nor do we have special incentive contracts with particular fund families. Our interests are directly aligned with our clients – to increase the value of their portfolios.

PCM's management fee is 1.25% on the first $250,000 of assets under management, and 1% of assets thereafter billed quarterly in advance. Additional breakpoints are available on accounts in excess of $1,000,000.

Each mutual fund manager charges fees and expenses to manage the fund portfolio that are in addition to the investment management fees charged by Private Capital Management, Inc. The fees and expenses charged by each mutual fund manager are disclosed in the fund prospectus.

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