

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

Item 1 Cover Page

**Pacific Management, Ltd  
Part 2A of Form ADV  
Brochure**

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This brochure provides information about the qualifications and business practices of Pacific Management, Ltd. ("PML"). If you have any questions about the contents of this brochure, please contact us at (415) 362-6120. 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.

PML is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training.

Additional information about PML is also available on the SEC's website at:  
[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

Item 2 Material Changes

**Item 2. Material Changes**

This section of our brochure will reflect the annual update of any material changes that occur after issuance and delivery of our firm's brochure.

Due to the Dodd Frank Reform requiring mid-size investment advisors to migrate from SEC to State registration, PML may be withdrawing from federal registration and become state registered under the State of California. Information was added in Section 4 regarding Pacific Asset Partners, the limited partnership of which PML is General Partner is scheduled to liquidate at year end 2012 having reached partnership maturity. Information has been added in Item 10. Other Financial Industry Activities and Affiliations, with the addition of sub-advisor Arcas Capital. Information was added to Item 6. Performance Based Fees, disclosing fees paid to Arcas Capital.

If you would like to receive a copy of our Firm Brochure, please contact us by telephone at 415-362-6120 or by email to [carol@staffordcapital.com](mailto:carol@staffordcapital.com)

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**Item 4. Advisory Business**

**Firm History and Principal Owners**

Pacific Management, Ltd. ("PML") is a partnership formed in 1983, and is the General Partner of Pacific Asset Partners, a California Limited Partnership ("PAP"), a dedicated long-short small and mid-cap hedge fund, and sole Client of PML and is managed as one account. PML is a registered investment advisor. The general partners of PML are Robert Stafford and Craig Stephens. William H. Murphy is a special limited partner and is not involved in the day to day management of the partnership. The investment partnership is designed for financially sophisticated, long-term investors who are willing to assume greater risks in the pursuit of greater returns. PML was formed as a vehicle for long term investors interested in investing a portion of their assets in smaller private and public companies. The partnership invests in a combination of publicly traded micro-cap and small cap stocks, private companies and short selling/options based on fundamental research and market opportunities. PAP is scheduled to liquidate at the end of 2012, and the partners will be offered several options upon maturity and final accounting: 1) to roll assets into a follow on of PAP, if available, 2) to roll into individually managed accounts 3) roll into a new partnership strategy to be announced, or 4) or return assets to partners.

Item 5 Fees and Compensation

**Item 5. Fees and Compensation**

Fees are paid to the general partner for investment advisory services rendered to the partnership on a quarterly basis as follows:

.5% of the total net asset value of the partnership, including committed but unpaid capital, less than or equal to \$10,000,000;

.375% of the total net asset value of the partnership, including committed but unpaid capital, greater than \$10,000 and less than or equal to \$20,000,000; and

.25% of the total net asset value of the partnership, including committed but unpaid capital, greater than \$20,000,000.

The net profit or net loss of the partnership is, with certain limitations, allocated 20% to the general partner and 80% to all partners, including the general partner. Net losses are allocated to the general partner to the extent of the balance in its capital account.

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

The general partner is allocated 20% of the profits, once certain requirements are met.

Fees are paid to sub-advisor Arcas Capital Management annually on a percentage basis of profits generated by that portion of the portfolio overlaid by Arcas as follows:

20% of profits generated by the Arcas strategy if S&P is down.  
25% of profits generated by the Arcas strategy if S&P is up.

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**Item 7.    Types of Clients**

PML generally provides investment advice to:

- Individuals
- Pension and Profit Sharing Plans
- Trusts, Estates, or Charitable Organizations
- Corporations or business entities

The partnership's limited partners are required to make a minimum investment of \$250,000.

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

PML incorporates fundamental and technical approaches in their methods of analysis.

The partnership ("PAP") invests in a combination of publicly traded micro-cap and small cap stocks, private companies and short selling/options based on fundamental research.

**Investment Strategies**

The goal of the fund is to achieve superior rates of return by selecting long and short investment opportunities in the public investment universe and by seeking excess returns through a portion of the fund dedicated to private investments. Using what we believe to be superior fundamental analysis implemented by an experienced team, we seek to capture the long term benefits of investing in the inefficiencies prevalent in the public and private markets while mitigating its near-term risk and volatility through the use of short positions, index hedges and options.

**Risk of Loss**

Investing in securities involves risk of loss that investors should be prepared to bear. Below are some of the risks that investors should consider before investing in any account that PML manages. Any or all of such risks could materially and adversely affect investment performance, affect the value of any account or any security held in an account, and could cause investors to lose substantial amounts of money. Below is only a brief summary of some of the risks that an investor may encounter. A potential investor should discuss with PML's representatives any questions that such person may have before investing in the fund.

- Fund may not achieve investment objectives. A strategy may not be successful and investors may lose some or all of their investment.
- Investor sentiment on the market, an industry or an individual stock, fixed income or other security is not predictable and can adversely affect the fund's investments.
- The fund may hold stocks that disappoint earnings expectations and decline.
- PML may not be able to obtain complete or accurate information about an investment and may misinterpret the information that it does receive. PML also may receive material, non-public information about an issuer that prevents it from trading securities of that issuer for the fund when the fund could make a profit or avoid a loss.
- PML may take positions in securities of small or unseasoned companies that are less actively traded and more volatile than those of larger companies.
- PML may engage in hedging, which may reduce profits, increase expenses and cause losses. Price movement in a hedging instrument and the security hedged do not always correlate, resulting in losses on both the hedged security and the hedging instrument. PML is not obligated to hedge the fund's portfolio positions, and it may or may not do so.
- PML could sell securities short, resulting in a theoretically unlimited risk of loss if the prices of the securities sold short increase.
- PML may invest in debt instruments, whose values may vary unpredictably with shifts in interest rates, issuers' ability to pay principal and interest, and issuers' defaults.
- PML may cause the fund to invest in securities of non-U.S., private and government issuers. The risks of these investments include: political risks; economic conditions of the country in which the issuer is located; limitations on foreign investment in any such country; currency exchange risks; withholding taxes; limited information about the issuer; limited liquidity; and limited regulatory oversight.



- Changes in economic conditions can adversely affect investment performance. At times, economic conditions in the U.S. and elsewhere have deteriorated significantly, resulting in volatile securities markets and large investment losses. Government actions responding to these conditions could lead to other negative consequences to investors.
- PML's investments may not be diversified. Therefore, a loss in any one position, industry or sector in which an account has invested may cause significant losses.
- PML, an administrator or any government agency may freeze assets that any of them believe are linked to or in violation of anti-money laundering laws or rules or on behalf of a suspected terrorist, and may transfer such assets to a government agency. None of PML or an administrator will be liable for losses related to actions taken in an effort to comply with anti-money laundering regulations.
- PML's activities could cause adverse tax consequences to the partners, including liability for interest and penalties.

The above is only a brief summary of some of the important risks that a partner may encounter. Before deciding to invest, the investor should consider carefully all the risk factors.

Item 9      Disciplinary Information

**Item 9.    Disciplinary Information**

Not Applicable

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

The applicant is the General Partner of a California limited partnership, Pacific Asset Partners. The General Partner has a special limited partner who is not in the day to day management of the partnership, William H. Murphy, a Texas based broker dealer. The General Partners of the applicant are also members of a registered investment advisor under the name of Stafford Capital Management, LLC (SCM). Clients of SCM (individuals, pensions, trusts) are aware of the partnership and the limited partners of Pacific Asset Partners are aware of SCM. All clients are given the option of investing in either vehicle. SCM is hired to provide operational and administrative services to the applicant. PAP has a sub-advisory agreement with Arcas Capital Management to provide a short and index option strategy for a designated portion of the portfolio. Steve Ward is the managing member of Arcas.

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

**Item 11.      Code of Ethics, Participation in Interest in Partners Transactions and Personal Trading**

PML has adopted a Code of Ethics in compliance with Rule 204A-1 under the Advisers Act, which establishes standards of conduct for its partners. The Code of Ethics includes general requirements that PML must comply with its fiduciary obligations to the partnership and its limited partners and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of limited partners' information. PML has hired Stafford Capital Management (SCM) to perform operational and administrative services, and its employees are acknowledged as supervised employees of PML. The PML Code of Ethics requires General Partners and any supervised personnel to report their personal securities transactions and holdings monthly to the Chief Compliance Officer, Robert Stafford, or designee, and requires their review of those reports. It also requires General Partners or supervised personnel to report any violations of the Code of Ethics promptly to the Chief Compliance Officer. Partners and supervised personnel must also report their outside business activities. Annually, each General Partner and any supervised personnel receives and must certify in writing that he or she received the Code of Ethics and any amendments during that year.

Partners and prospective partners may obtain a copy of the Code of Ethics by contacting Robert Stafford, Chief Compliance Officer, at 415-362-6120 Ext 101.

The basic principle of PML is that the partnership/limited partner's interest must always come first. There is a fiduciary duty of the general partners to members of the limited partnership, (PAP) which for a private fund is the investment adviser affiliate and the implied contractual covenant of good faith and fair dealing. This includes: not employing any device, scheme or artifice to defraud any partner or prospective partner and not engage in any transaction practice or course of business which operates as a fraud or deceit upon any partner or prospective partner.

The firm has a written Trading Policy/Code of Ethics whereby all persons are restricted from trading in a position until the client is finished trading. All members of PML must submit quarterly transaction statements as well as individual purchase/sale forms that must be approved prior to trading any security. The general partner has a responsibility to disclose any conflict of interest prior to completion of a transaction.

PML and its officers, managers and supervised personnel may personally invest in securities of the same classes as are purchased for the clients (limited partners). This practice creates a conflict of interest in that any of such persons can use his or her knowledge about actual or proposed securities transactions and recommendations for a partner's account to profit personally by the market effect of such transactions and recommendations. To address this conflict, PML and its officers, managers and supervised personnel are required to pre-clear transactions in securities designated as "Reportable Securities", and PML will only grant approval to trade so long as the security is not being contemplated for trading or in the process of trading for clients (limited partners), or has otherwise been restricted. PML and its officers, managers and supervised personnel may also buy or sell a specific security for their own accounts based on personal investment considerations, which PML does not deem appropriate to buy or sell for clients (limited partners). The performance of the personal accounts of PML and its officers, managers and supervised personnel may be more favorable at times than that of the partners' (clients').

**Item. 12 Brokerage Practices**

PML is not a broker-dealer. PAP is managed as one account and limited partners do not have individual accounts where they can direct or specify brokerage. Trades are executed on behalf of the partnership. PML selects a broker to act as trading broker for the partnership. PML will have the authority and discretion over selection of the broker to be used, and the commission rates to be paid. The partnership bears the cost of brokerage transactions. PML's primary goal is to achieve the best execution for PAP. BTIG has agreed to a commission schedule where PML will designate the commission rate per share based on the number of shares traded and at what price.

PML has a soft dollar arrangement with prime broker BTIG, LLC. While PML will primarily attempt to attain the lowest commission level possible, PML may pay a brokerage commission in excess of what another broker might charge for effecting the same transaction in recognition of the value of the brokerage, research and other services and soft dollar relationships. PML may receive soft dollar credits based on transactions with BTIG that provide soft dollar benefits to PML. Some soft dollar credits are used on computer software, services and consultants that PML allocates the costs between their research/brokerage uses and non-research brokerage uses. As with all soft dollar arrangements, using a trading broker in this manner may cause partners to pay brokerage commissions, mark-ups and other transaction costs that are higher than might otherwise be available if brokers were selected solely of lowest execution cost. PML uses commission dollars to pay only for products and services it reasonably believes provides appropriate assistance to the adviser in performing investment decision-making responsibilities. Any conflicts of interests regarding the soft dollar services that may influence PML's judgment are addressed by periodic evaluation of the trade executions from which PML receives soft dollar credits. PML determines in good faith that the commission is reasonable in relation to the value of brokerage, trade management, research and other services and soft dollar relationships provided by a broker. PML directs soft dollar payments to research providers, including a portion of the annual expense for Advent Software, computers purchased for research analysts, Bloomberg, and related stock exchange expenses, IDC pricing service, and fees charged to attend investment conferences. PML also has a soft-dollar consulting relationship with Karin Blair, a former partner who periodically consults on portfolio management, portfolio strategy, and partnership tax issues. It is possible that additional research will be outsourced to other research consultants on a case by case basis through our soft-dollar arrangement and that the partnership may enter into soft-dollar arrangements with other brokerage firms.

**Item 13.    Review of Accounts**

Pacific Asset Partners ('PAP") is under continuous supervision by PML General Partners Robert M. Stafford and Craig Stephens. Current holdings and candidates for purchase are monitored daily. Account performance is reviewed weekly as the consistency of portfolio holdings with the investment guidelines and appropriateness in the current economic environment.

PAP Limited Partners are furnished a quarterly valuation of their PAP partnership interests. Reports will include a brief summary of activity in the account, current market performance comparisons, and financial statements for the partnership. Audited reports are provided on an annual basis.

A limited partner may, as of the end of any fiscal year, after an initial three year holding period, withdraw all or part of their capital account determined as of the end of such fiscal year.

Item 14      Client Referrals and Other Compensation

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

Not Applicable

**Item. 15**      **Custody**

Goldman Sachs Execution and Services is the qualified custodian of partnership assets, which is an unaffiliated broker/dealer.



**Item 16. Investment Discretion**

PML has discretionary authority to determine the securities to be bought or sold, amount of the securities to be bought or sold, broker or dealer to be used and commission rates paid. This power of attorney is granted in the PAP partnership agreement

**Item. 17      Voting Proxies**

Proxies are voted on behalf of the PAP partnership generally consistent with company's director's suggestion, unless there is a conflict that might impair shareholder value.

It is PML's policy to vote proxies with the intent of maximizing shareholder value, and in a way it believes is consistent with its fiduciary duty.

**Item 18. Financial Information**

N/A – Applicant charges its management fee in arrears.

**Item 19.      Requirements for State-Registered Advisers**

**Principle Executive Officers and Management Persons**

**Robert M. Stafford – 12/17/1941:    General Partner**

**Princeton University, Princeton, NJ – BA 1963**

**Stanford University, Stanford, CA – MBA 1968**

**06/86 – Present:    Chairman, CEO and Co-Chief Investment Officer, Stafford Capital Management**

**09/93 – Present:    General Partner, Pacific Management, Ltd.**

**Craig Stephens – 09/20/48:    General Partner**

**University of Southern California, Los Angeles, CA BS 1970**

**1988-1999:      Portfolio Manager, RCM**

**1999-2007:      Partner KCM Investment Advisors**

**2007-Present:    President, Co-Chief Investment Officer, Stafford Capital Management**

**2007-Present:    General Partner, Pacific Management, Ltd.**