

**Brochure Date: March 30, 2016**

**Firm Name:**

Pacific Asset Management, LLC  
1590 Bay Street  
Port Orchard, WA 98366

**Contact Information:**

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This brochure provides information about the qualifications and business practices of Pacific Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at 360-876-1938; or [glucy@pacificasset.com](mailto:glucy@pacificasset.com).

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. Additional information about Pacific Asset Management, LLC is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

Pacific Asset Management, LLC (PAM) is a Federally Registered Investment Advisory Firm and is registered with the Securities and Exchange Commission (SEC) located at 100 F Street, NE Washington DC. \*\*

\*\*Registration does not imply a certain level of skill or training

## Item 2 Material Changes

There have been material changes to this document since our last update, March 31, 2015.

1. Pamela Sutton joined Pacific Asset Management as the new Operations Manager
2. Ryan Hart has voluntarily resigned from Pacific Asset Management
3. DST Market Services, LLC was added as one of the custodians used by Pacific Asset Management in addition to Charles Schwab & Co.

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## Item 4 Advisory Services

Pacific Asset Management, LLC (hereinafter "PAM" or "the firm") is a registered investment advisor with the United States, Securities and Exchange Commission. PAM has been an established Investment Advisory Firm since 1998.

Gary L. Lucy, Donald F. Cox and Brian W. Cox are the principal owners of the firm; the firm is a Limited Liability Corporation.

PAM offers financial advisory services that include personal financial planning and investment management. Financial planning services are comprehensive and unique to each client.

We provide investment advisory services on behalf of each client. These services include the following:

1. Analyze your financial condition.
2. Recommend options to achieve client's financial objectives.
3. Document and implement investment strategies with no-load mutual funds
4. Monitor performance of clients investments and rebalance according to asset allocation parameters
5. Make changes to investment strategies as deemed necessary and mutually agreed upon with client
6. Routinely meet with client to ascertain changes in life situation and review performance

PAM manages assets both on a non-discretionary and discretionary basis. As of March 11, 2016 PAM had \$149,965,000 in total assets. Non-discretionary assets comprised approximately \$5,937,000 while non-discretionary assets comprise approximately \$144,028,000.

PAM does not participate in *wrap fee programs*.

### TERMINATION

1. Our agreement is effective beginning on the date of initial deposit into client's account.
2. Our agreement with client shall terminate under the following conditions:
  - a. By mutual agreement of both client and PAM advisor
  - b. By either client or PAM advisor giving written 30-day notice to the other party specifying the date of termination
  - c. In the event of termination in the above mentioned manner, PAM fees paid will be refunded to client on a pro rata based upon the number of days client used PAM services during that period of time.

## Item 5 Fees and Compensation

PAM is a fee only investment advisor. We do not receive any income in connection with acting as our client's advisor except for the fees we charge as described below. We receive no commissions, referral fees, finder's fees or other cash compensation or benefits.

The following is our standard fee schedule, charged quarterly in advance based upon the value of your account.

Account Value	Annual Fee
First \$500,000	1.00%
Next \$500,000	0.75%
Assets over \$1,000,000	0.50%

1. PAM Charges No Commissions. PAM services are on a fee only basis. PAM does not sell financial products or accept commissions on payments from outside sources.
2. Transaction Expenses. PAM processes trades through Charles Schwab & Co. Some Schwab mutual fund transactions may produce a transaction charge, which will be deducted from your account. For some 401(k) and 403(b) clients with assets held at DST Market Services, LLC there may be some miscellaneous administrative fees, such as a loan origination fee, that might apply. Please refer to the participant fee disclosure form available through your employer for a complete list.
3. Fees. PAM will, on occasion, negotiate different fees based upon an individual's account requirements. The fee schedule listed above is subject to change. Fees based on a percentage of assets under management are calculated on the total account value and in no case is compensation calculated based solely on a share of capital gains or capital appreciation of your account.
4. Accounting of Fees. On a quarterly basis, PAM will supply client with an invoice showing all PAM fees charged against your account.
5. Payment of Fees. Fees are paid quarterly, in advance, on the first day of the month for the upcoming quarter. Fees are paid directly to PAM by Charles Schwab & Co. from client's account; this is subject to clients preauthorization. Should client decide to pay fees directly to PAM then those fees are due within 30 days of invoice date.

For those 401(k) or 403(b) clients where DST Market Services, LLC assumes the custodial role, fees are taken quarterly, in arrears, based on the asset value on the last day of the month. Fees are paid directly to PAM by DST Market Services, LLC from clients' accounts. Should the Plan Sponsor (employer) decide to pay fees directly to PAM, those fees are due within 30 days of the invoice date.

In addition to the advisory fees paid to PAM in accordance with clients Investment Advisory Agreement, fees are charged by the mutual funds owned in the form of internal expenses at the fund level. These fees reduce the net value of the fund's shares. PAM does not share in any of the fees paid to the mutual funds.

The following individuals are not charged a management fee:

- Members of PAM
- Employees of PAM and C&L Professional Service Group, LLC
- Immediate family members of the members of PAM and C&L Professional Service Group, LLC

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

PAM does not accept or assess performance based fees of any kind.

## Item 7 Types of Clients

PAM provides investment advisory services to Individuals as well as group (employer) sponsored retirement accounts such as 401(k) or 403(b) programs. Advisory services through PAM could be provided to the “Plan” itself as well as the individual participants.

There is a minimum of \$100,000 investable assets to open an account with PAM. In some cases, due to individual circumstance, the account minimum may be waived.



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

Before making any recommendations, a PAM advisor will meet with a prospective client in order to understand what the goals and objectives are. This task is generally accomplished using software to incorporate investable assets, social security, pensions, other sources of income and other investments with their expectation for future spending. The process also requires assumptions regarding inflation, potential rates of return and life expectancies. The primary software used in this process is The Retirement Savings Planner, developed by Torrid Technologies, Inc.

Once we have helped the prospective client incorporate their goals and objectives into an investment plan as described above, we then make specific recommendations, with respect to investments, necessary to achieve their goals and objectives. Our investment philosophy includes the use of passively managed or index mutual funds to construct a globally diversified portfolio. In other words, we will recommend that our clients own large stocks, small stocks, growth stocks, value stocks, bonds and other fixed income investments both US and Internationally.

Investing is inherently risky and the potential for loss is real, but we believe our approach to investing using passively managed and index mutual funds will be a risk worth taking.

It is time in the market not timing the market that will increase the likelihood of investment success, accordingly, we will not practice any form of market timing. Client behavior will have a bigger impact on their investment success than anything we can do for them. Equity markets are volatile and one needs to focus on long term results and not allow their behavior to be influenced by short term swings in the markets.

## **Item 9 Disciplinary Information**

Neither PAM nor any of its employees have any disciplinary history to report.

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

The principals of Pacific Asset Management, LLC (Gary Lucy and Donald Cox) were CPAs and principals of the accounting firm Cox & Lucy CPAs until they sold the practice on October 1, 2010.

Cox & Lucy CPAs, now C & L Professional Service Group LLC (CLPSG), shares office space with Pacific Asset Management (PAM). PAM may recommend CLPSG to advisory clients in need of accounting services. Accounting services provided by CLPSG are separate and distinct from the advisory services of PAM.

David Rhine, an Investment Advisor Representative with PAM, owns and operates the above referenced accounting firm. C&L Professional Service Group, LLC. Mr. Rhine handles some PAM client's tax needs.

Donald Gardner, a RIA with PAM, owns and operates a full service accounting firm, Gardner Accounting, located in Shelton, WA. PAM's Shelton office and Gardner Accounting share the same office space. Mr. Gardner may also handle some PAM client's tax needs.

PAM receives no referral fees for these recommendations. No PAM client is obligated to use CLPSG for any accounting services.

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

We have available a copy of the Pacific Asset Management, LLC Code of Ethics to any client or prospective client upon request.

PAM or individuals associated with PAM may buy or sell securities identical to those recommended to customers for their personal accounts. Each individual client need is unique; therefore PAM may make recommendations or take action with respect to investments for its clients that may differ in nature or timing from recommendations made to or actions taken for other clients or its employees.

As these situations represent a potential conflict of interest, PAM has established the following restrictions in order to ensure its fiduciary responsibilities:

1. No member or employee of PAM shall prefer his or her own interest to that of the advisory client, and client transactions always take precedence.
2. PAM maintains a list of all securities holdings, for itself, and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate member/individual of PAM.
3. PAM requires that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
4. Any individual not in observance of the above may be subject to termination.

## Item 12 Brokerage Practices

PAM has established a long term relationship with Charles Schwab & Co., since our inception in 1998 that would be difficult to replace. The factors considered in selecting Charles Schwab as our broker-dealer for clients are excellent responsiveness by the dedicated service team, minimal transaction fees, precise reporting/statements, high quality executions, accurate and easy- to -use web trading accompanied with an automatic error checking feature which greatly reduces transaction errors.

The decision to begin a relationship with DST Market Services, LLC was dictated by PAM's long standing relationship using Dimensional Fund Advisors, PAM's primary mutual fund investment provider. Dimensional Retirement Planning Services uses DST Market Services, LLC for their custodial needs for 401(k) and 403(b) retirement plans.

PAM does not receive any soft dollar benefits or client referrals from Charles Schwab & Co. or DST Market Services, LLC in exchange for PAM clients using Charles Schwab or DST Market Services, LLC as their custodian.

### **Item 13 Review of Accounts**

In accordance with our investment advisory agreement, we review each client's portfolios at a minimum of once a quarter. The review is performed by the investment advisor representative that is responsible for their respective clients account. Should economic or financial conditions necessitate a more frequent review; each investment advisor representative will do so.

Quarterly reports are provided for all clients. These reports show all position and holdings detail, provide a breakdown of all costs and fees on the account and an overall performance in the increments of recent quarter, year to date, and since inception. In addition, our custodians, Charles Schwab & Co. and DST Market Services, LLC provides monthly statements, trade confirmations, and annual tax documents.

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

PAM does not provide investment advice to non-clients. PAM does not receive compensation for any client referral and does not provide any form of compensation in exchange for referrals.

## Item 15 Custody

PAM may use one of two different custodian's for Client assets. The majority of assets are held at Charles Schwab & Co. There are circumstances in which Dimensional Retirement Plan Services act as the record keeper for group 401(k) or 403(b) group retirement plans. The custodian in these circumstances is DST Market Services, LLC. PAM is deemed custody of assets to the extent that PAM has the authority to deduct client fees from client accounts upon PAM's instruction to the custodian

PAM mails quarterly statements to all clients. In addition, Charles Schwab & Co and DST Market Services, LLC sends monthly statements to all clients. Clients are urged to compare both statements to ensure they reconcile.



## **Item 16 Investment Discretion**

PAM has limited power of attorney for all discretionary client accounts. This permits us to buy and sell investments in accordance with stated objectives and asset allocation agreed upon in each client's Investment Policy Statement without obtaining clients approval for each transaction. Clients may place any limitations or restrictions on this authority.

## **Item 17 Voting Client Securities**

PAM does not vote proxies for its clients. All proxies are to be voted on by the client. All clients will receive any proxy notices directly at their current address on record via US mail. In case of a retirement plan, the Plan Sponsor or other named Plan Fiduciary retains the responsibility to vote proxies.

## **Item 18 Financial Information**

PAM does not meet the criteria to require disclosure of PAM financial information (specifically PAM balance sheet). The criteria are:

1. Maintaining custody of client funds or securities
2. Requires prepayment of more than \$1,200 in fees per client 6 months or more in advance

PAM does not maintain custody of client funds or securities or require client to prepay more than \$1,200 in fees 6 months or more in advance.

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This supplement provides information about the Investment Advisor Representatives of Pacific Asset Management (PAM) and is a supplement to the brochure. Please contact the Operations Manager if you have not received PAM's brochure or if you have any questions about the contents of this supplement.

*Gary L. Lucy – Investment Advisor Representative, Born 1948*

Education:

- Emporia State University, Emporia, KS: B.S in Business - Major in Accounting, 1970
- Certified Public Accountant (CPA)\* designation earned 1976
- College for Financial Planning, Denver, CO: Certified Financial Planner (CFP)\*\*designation, 1985

Business Background: Mr. Lucy has been a Certified Public Accountant (CPA)\* since 1976 and a Certified Financial Planner (CFP)\*\* since 1985). He was partner and principal of Cox & Lucy CPAs LLC from October 1984 to October 2010. He has been the managing member of Pacific Asset Management, LLC, since its formation in November, 1998.

*Donald F. Cox Jr. – Investment Advisor Representative, Born 1952*

Education:

- Central Washington University, Ellensburg, WA: B.A. in Business Administration - Major in Accounting, 1974
- Certified Public Accountant (CPA)\* designation earned 1976

Business Background: Mr. Cox has been a Certified Public Accountant (CPA)\* since 1976. He has practiced as a CPA in Port Orchard, WA since 1978 and was the principal and partner of Cox & Lucy CPAs LLC from October 1984 to October 2010. He has been a member of Pacific Asset Management, LLC since its formation in November, 1998.

*Brian W. Cox - Investment Advisor Representative, Born 1985*

Education: University of Portland, Portland, OR - 2007 B.A. in Finance.

Business Background: Mr. Cox joined Pacific Asset Management in 2007 as an Operations Associate and earned his Investment Advisor Representative designation in 2009.

*Donald R. Gardner – Investment Advisor Representative, Shelton, WA - Born 1953*

*Office Address: 601 W. Railroad Ave, Ste B – Shelton, WA 98033*  
*Phone: 360.426.8262*

Education:

- Oregon State University, Corvallis, OR - 1973
- Bellevue Community College, Bellevue, WA: 1974. A.A. Accounting

- University of Washington, Seattle, WA: 1976 B.A. in Accounting
- IRS Enrolled Agent Designation, 1979
- Certified Public Accountant (CPA)\* designation earned 1980
- Supplanting Enrolled Agent Designation
- College for Financial Planning, Denver, CO: Certified Financial Planner (CFP)\*\* designation earned 1994.

Business Background: Mr. Gardner has owned and operated a full service CPA firm in Shelton, WA since 1990. It is solely owned with seven to nine employees. He was a partner in Stoltenberg and Gardner Financial from 1995 to 1999. He has been an investment advisor representative for Pacific Asset Management, LLC since January 2001. He spends the majority of his time, approximately 60%, on his accounting business.

*Eric McGinnis- Investment Advisor Representative, Born 1971*

Education: University of Southern Maine, Portland, ME – 1995 B.A Business Administration

Business Background: Eric began his career as an underwriter and financial analyst in the group employee benefits industry in 1996 with UNUM. Beginning in 2007 he worked as a Regional Business Director for American Fidelity Assurance Co. In 2013 he began work as an Investment Advisory Representative and joined Pacific Asset Management in January of 2015.

*Pamela Sutton- Operation's Manger, Born 1965*

Education: University of UTAH, Salt Lake City, UT. Portland, ME – 1987 B.S. Speech Communications – Minor: Business Management

Business Background: Pam Sutton is a University of Utah graduate with experience in sales and marketing, customer support, and management. She has worked for different software companies including a start-up and also more established companies such as Microsoft. She is very passionate about providing excellent service to clients and is excited for the opportunity to use her skills at Pacific Asset Management. Pam is an avid traveler, enjoys volunteering, skiing, hiking, and family adventures with her husband and 3 children.

*David Rhine – Investment Advisor Representative, Born 1969*

Business Background: With 15 years experience in the accounting industry David has owned and operated a full service CPA firm in Port Orchard, WA since 2010. It is solely owned with six full time and four seasonal employees. He began his career in accounting at the firm of PricewaterhouseCoopers. David handles some of PAM client's tax needs as well as his own accounting clients. He spends the majority of his time, approximately 95%, on his accounting business.

*Joshua Morin- Investment Advisor Representative, Born 1984*

Education: University of Portland, Portland, OR – 2007 B.A Finance & Accounting

Business Background: Josh began his career at Ras Operating, Inc in Tigard, OR in 2007 as an accountant. Over the past few year's Josh has worked locally at one of the Nation's largest accounting firms. Josh brings over seven years of assurance and financial accounting expertise to Pacific Asset Management. He is a Washington Board Certified CPA and a member of Washington State Society of CPA's and member of the American Institute of CPA's. Josh handles some of PAM client's tax need as well as financial advisory services of his own tax client's needs. Josh spends approximately 90% o his time on his accounting clients.

\*CPA designation description name is CPA (Certified Public Accountant) licensed in the state of Washington. The CPA designation is issued by the Washington Board of Accountancy. A CPA candidate must meet specific education and experience requirements. CPA candidates must also pass a four part examination, in addition to an ethics exam. CPAs must complete 130 hours of continuing education every three years.

\*\* CFP designation description name is also a CFP (Certified Financial Planner). The CFP designation is issued by the Certified Financial Planner Board of Standards, Inc. A CFP candidate must have a bachelor's degree or higher from an accredited college or university, and 3 years full-time personal financial planning experience. The candidate must complete a CFP-board registered program or hold one of the following: CPA, ChFC, CLU, CFA, Ph.D. in business or economics, Doctor of Business Administration or an Attorney's License. CFP candidates must pass the CFP Certification Examinations. To maintain the designation s/he must attend at least 30 hours of continuing education every two years.

Additional Disclosure: Neither Gary Lucy, Donald Cox, Donald Gardner, Brian Cox, Eric McGinnis, David Rhine nor Joshua Morin have ever been involved with or found liable in an arbitration claim of any kind. PAM has never been found liable in a civil, self-regulatory organization or administrative proceeding.

Additional information about the Investment Advisor Representatives named above is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).