

BACHE CAPITAL MANAGEMENT

Firm Brochure

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BACHE CAPITAL MANAGEMENT

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This Brochure provides information about the qualifications and business practices of Bache Capital Management (in this Brochure, we refer to Bache Capital Management as *Bache Capital* or the *Firm*). If you have any questions about the contents of this Brochure, please contact the President of the Firm:

**Stephen K. Bache, CFA
626-449-2134**

email: **sbache@bachecapital.com**

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission, the California Securities Regulation Division or any other state securities authority.

Bache Capital is registered as an investment adviser with the State of California Securities Regulation Division and the President is registered/licensed as an investment adviser representative of the Firm. Registration does not imply that either the Firm or its representatives have any certain level of skill or training.

Additional information about Bache Capital is also available on the website of the U.S. Securities and Exchange Commission: www.adviserinfo.sec.gov.

Item 2
MATERIAL CHANGES

Bache Capital Management has changed its registration from the U.S. Securities and Exchange Commission to the State of California.

Bache Capital has changed the information provided to clients in its Brochure and the manner in which it is presented as required by an amendment to the requirements of the investment adviser registration forms. Those requirements were recently amended by the U.S. Securities and Exchange Commission and state securities regulators.

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Item 4
ADVISORY BUSINESS

A. Description of the Firm

Bache Capital Management (“Bache Capital”) is an Investment Advisor with the State of California. Mr. Stephen K. Bache is the President and sole owner of Bache Capital.

B. Types of Services

Bache Capital Management, a personal service firm, offers *peace of mind* to the individual investor. Registered with the SEC, the firm’s goal is to manage your wealth so as to maximize growth and minimize risk. We achieve our above average risk adjusted performance by investing primarily in industry leaders less likely to show wide fluctuations through a market cycle. Bache Capital diversifies client portfolios among common stock, preferred stock, corporate and municipal bonds and cash equivalents.

Bache Capital manages client assets through discretionary accounts on a fee-only basis for individuals and for corporate pension and profit-sharing plans. We also manage and the 4 Star Pacific Advisors Balanced Fund, a nationally traded mutual fund, and co-manage the Pacific Advisors Income and Equity Fund.

Bache Capital manages client assets through discretionary accounts on a fee-only basis for individuals and for corporate pension and profit-sharing plans.

C. Tailoring Services to Needs of Clients

Setting Bache Capital Management apart is its strategy of structuring portfolios for individual needs. We do not have a “boilerplate” formula that allocates all of our clients’ funds in the same combination of companies. We take into consideration your income needs and your tax requirements. What is good for another client is not necessarily appropriate for you. Our aim in serving you is threefold: (1) to implement a value-oriented and diversified strategy in choosing equities (common stock); (2) to adopt a “laddered” approach to fixed income securities (bonds); and, (3) to balance your portfolio between equities and fixed income based on you need for income and your risk tolerance.

To help you manage your wealth, we furnish you state of the art reports that can assist you and your other professional advisors in tax and estate planning. We prepare a full appraisal for you each quart and at the end of each year, and we compile tax reporting data for you. We can provide custom-tailored reports to help you whenever you need them.

D. Wrap Fee Programs

Bache Capital Management does not offer wrap fee programs.

E. Managing Assets using Discretion

Bache Capital Management manages assets for clients on a discretionary basis.

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Item 5
FEES AND COMPENSATION

A. Fees Charged

1. Negotiability of Fees

These investment advisory fees are negotiable.

2. Fees Charged

Compensation to Advisor for its services will be calculated in accordance with the standard fee schedule outlined below which may be amended from time to time by Advisor upon 30 days prior written notice to Client. The market value will be the sum of the values of all assets in the account, not adjusted by any margin debt.

Standard Annual Fee Schedule

1.00% on assets under \$1,000,000
0.75% on assets between \$1,000,000 and \$5,000,000
0.50% on assets over \$5,000,000

Minimum fee is \$2,400 per annum.

For purposes of determining value, securities and other instruments traded on a market for which actual transaction prices are publicly reported shall be valued at the last reported sale price on the principal market in which they are traded (or, if there shall be no sales on such date, then at the mean between the closing bid and asked prices on such date). Other readily marketable securities shall be priced using a pricing service or through quotations from one or more broker dealers. The Advisor may modify the terms in this Section prospectively on at least 30 days prior written notice.

In certain instances, the Advisor may provide investment advice for selected clients at a rate of \$240 per hour.

B Payment of Fees

In consideration for the Advisor's services, the Client will pay the Advisor a fee quarterly in advance, with payment due within 10 days from the date of the invoice. The fee will be equal to

the agreed upon rate per annum, times the market value of the account, divided by the number of days in the agreed upon year and multiplied by the number of days in the quarter.

Such fees may be paid directly to Advisor from the account by the custodian upon submission of an invoice to custodian showing the amount of fees, and to the Client reflecting the value of the Client's assets on which the fees are based, and the specific manner in which the fees are calculated. The Client bears responsibility for verifying the accuracy of fee calculations.

C. Other Fees Paid by Clients

Client may be required to pay, in addition to the Advisor's fee, a proportionate share of any mutual fund's fees and charges. All brokerage commissions, stock transfer fees, and other similar charges incurred in connection with transactions for the account will be paid out of the assets in the account and are in addition to the investment management fees paid to Advisor.

D. Proration of Fees

Fees for partial quarters at the commencement or termination of this Agreement will be billed or refunded on a pro-rated basis contingent on the number of days the account was open during the quarter. Quarterly fee adjustments for additional assets received into the account during a quarter or for partial withdrawals will also be provided on the above pro rata basis.

E. Compensation for the Sale of Securities

Bache Capital Management does not receive any compensation for the sale of securities.

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Item 6
PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT

Bache Capital Management does not charges fees for management of assets that are based on a share of capital gains on, or capital appreciation of the assets of a client (performance-based fees).

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Item 7
TYPES OF CLIENTS

Bache Capital Management offers it Investment Advisory Services to individuals, trusts and corporate pension and profit-sharing plans.

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Item 8
METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies

Bache Capital Management employs the strategy of structuring portfolios for individual needs. We do not have a “boilerplate” formula that allocates all of our clients’ funds in the same combination of companies. We take into consideration your income needs and your tax requirements. What is good for another client is not necessarily appropriate for you. Our aim in serving you is threefold: (1) to implement a value-oriented and diversified strategy in choosing equities (common stock); (2) to adopt a “laddered” approach to fixed income securities (bonds); and, (3) to balance your portfolio between equities and fixed income based on you need for income and your risk tolerance.

B. Risks of Strategies Used

Any investment strategy involves risk of loss and the client should be prepared to bear such loss.

C. Risks of Securities

Investments in securities involve the risk of loss and the client should be prepared to bear such loss.

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Item 9
DISCIPLINARY INFORMATION

Neither Bache Capital Management nor any of its associated persons has been involved in any material criminal, civil, administrative or regulatory action that relates in any way to any of such parties investment-related activities. The types of actions that would be material and which are covered by this statement include the following:

A. Criminal or Civil Actions

Neither Bache Capital Management nor any of its associated persons has been:

1. Convicted of, pled guilty to, pled nolo contendere to or no contest to, any criminal action;
2. Named in a criminal action that is currently pending;
3. Found in any action to have violated any investment-related statute or regulation; or
4. The subject of any order, judgment or decree permanently or temporarily enjoining, or otherwise limiting, Bache Capital Management or any of its associated persons from engaging in any investment-related activity, or from violating any investment related statute, rule, or order.

B. Administrative Proceedings

Neither Bache Capital Management nor any of its associated persons has been involved in any administrative proceeding before the U.S. Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority in which any of such parties was:

1. Found to have caused an investment-related business to lose its authorization to do business; or
2. Found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority
 - (a) Denying, suspending, or revoking the authorization of Bache Capital Management or any of its associated persons to act in an investment-related business;
 - (b) Barring or suspending Bache Capital Management or any of its associated persons' association with an investment-related business;
 - (c) Otherwise significantly limiting Bache Capital Management or any of its associated persons' investment-related activities; or
 - (d) Imposing a civil money penalty of more than \$2,500 on Bache Capital Management or any of its associated persons.

C. Action by Self Regulatory Organizations

Neither Bache Capital Management nor any of its associated persons has been involved in any proceeding before any self-regulatory organization, such as the Financial Industry Regulatory Authority, in which neither Bache Capital Management nor any of its associated persons was:

1. Found to have caused an investment-related business to lose its authorization to do business; or
2. Found to have been involved in a violation of the organizations; rules and was:
 - (i) Barred or suspended from membership or from association with other members, or was expelled from membership; or,
 - (ii) Otherwise significantly limited from investment-related activities; or
 - (iii) Fined more than \$2,500.

D. Additional Information

To confirm the above statements and to review any public information about disciplinary actions involving Bache Capital Management or any of its associated persons or information about other any investment adviser and its associated persons, please review the information available on the website of the U.S. Securities and Exchange Commission at:

www.adviserinfo.sec.gov

Information about Bache Capital Management or any of its associated persons can also be obtained by contacting:

The State of California
Department of Corporations
Securities Regulation Division
1515 K Street, Suite 200
Sacramento, CA 95814-4052
(916) 445-7205
(866) 275-2677

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Item 10
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration

Neither Bache Capital Management nor any of its associated persons is registered or has applied to be registered as a broker-dealer or an associated person of any such entity.

B. Futures and Commodities Registration

Neither Bache Capital Management nor any of its associated persons is registered or has applied to be registered as a futures commission merchant commodity pool operator, a commodity trading advisor, or an associated person of any of those entities.

C. Arrangements with Related Persons

Neither Bache Capital Management nor any of its associated persons has any relationship or arrangement that is material to the Firm's advisory business or to its clients with any related person.

D. Recommendation of Investment Advisers

Bache Capital Management does not make recommendations of any other Investment Adviser.

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Item 11
**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS
AND PERSONAL TRADING**

A. Code of Ethics

It is the policy of the firm not to allow any employee or any member of an employee's immediate family (referred to as "employees") of Bache Capital Management to benefit in his or her own personal investments, directly or indirectly, at the expense of clients, nor to take advantage of, or to "trade" on the knowledge he or she may have of the market impact on transactions carried out for clients. (Immediate family for purposes of this policy is deemed to include an employee's parents, spouse, children, brothers and sisters living in the same household as the employee, or under circumstances where the employee has control or influence over the investment decisions of such relative.) To ensure compliance with the firm's trading policies, all employees are required to report on a quarterly basis purchases and sales of common stocks or common stock equivalent for any account in which they or their immediate family have a beneficial interest.

A copy of the firm's Code of Ethics will be provided to a client upon request.

B. Conflicts in Transactions in Securities

Neither Bache Capital Management nor any of its associated persons recommends securities, buys securities or sells securities for clients in which any of such person has a material financial interest; they do not invest in securities that they purchase or recommend to clients and they do not purchase or sell securities for their own account at the same time they purchase or sell securities for clients.

C. Conflicts in Investments in Securities

Neither Bache Capital Management nor any of its associated persons recommends securities, buys securities or sells securities for clients in which any of such person has a material financial interest; they do not invest in securities that they purchase or recommend to clients and they do not purchase or sell securities for their own account at the same time they purchase or sell securities for clients.

D. Conflicts in Contemporaneous Transactions

Neither Bache Capital Management nor any of its associated persons recommends securities, buys securities or sells securities for clients in which any of such person has a material financial interest; they do not invest in securities that they purchase or recommend to clients and they do not purchase or sell securities for their own account at the same time they purchase or sell securities for clients.

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Item 12
BROKERAGE PRACTICES

Although Bache Capital Management does not recommend brokers to its clients, the other Investment Advisors, Money Managers or Portfolio Managers introduced by Bache Capital Management may also be registered Brokers or Dealers.

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Item 13
REVIEWS OF ACCOUNTS

Stephen Bache, CFA, Chief Investment Officer, continuously reviews the status of all securities in Client accounts. An overall assessment of each client account is performed on at least a quarterly basis. All reviews are based on Client's stated investment objectives. More frequent reviews may be triggered by a change in the Client's investment guidelines, tax considerations, large deposits or withdrawals, large security sales or purchases, loss of confidence in corporate management objectives, changes in macro-economic climate or dramatic market changes.

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Item 14
CLIENT REFERRALS AND OTHER COMPENSATION

Bache Capital Management does not compensate any individual or entity for client referrals.

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Item 15
CUSTODY

Bache Capital Management does not maintain custody over any client assets, securities or funds.

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Item 16
INVESTMENT DISCRETION

Bache Capital Management manages all client accounts on a discretionary basis.

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Item 17
VOTING CLIENT SECURITIES

Bache Capital Management will not vote proxies for any client. The client will be responsible for all proxy voting.

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Item 18
FINANCIAL INFORMATION

Bache Capital Management is not required to provide financial statements because it does not meet any of the following conditions:

A. Prepayment of Fees

Bache Capital Management does not require prepayment of more than \$500.00 in fees per client, more than six months in advance.

B. Discretionary Authority/Custody

Bache Capital Management does not have discretionary authority over or custody of client funds.

C. Bankruptcy

Bache Capital Management has not been subject to a bankruptcy petition at any time during the past ten years.

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Item 19
REQUIREMENTS FOR STATE-REGISTERED ADVISERS

A. Principal Executive Officers

The principal executive officer of Bache Capital Management is Stephen K. Bache. Below are education and business standards of the firm and education and background of the President.

1. Education and Business Standards

Persons associated with Advisor, other than persons whose functions are strictly clerical, are required to have a college degree and/or a professional designation such as J.D., CPA, CFP, MBA, a designation or five years in the securities business and will be qualified by examination and/or licensing in each state in which the services of the associated person require such qualification.

2. Educational Background and Business Experience

Stephen K. Bache is President and Chief Investment Officer of Bache Capital Management, responsible for portfolio management, research, and trading. He managed the Balanced Fund (ranked #10 of 497 peer funds by Lipper for the year ended St. Patrick's Day 2003) and co-managed the Income & Equity Fund for the Pacific Advisors family of mutual funds until year end 2006. In addition, he steered three different types of mutual funds to top ten ranking in three different decades: Transamerica Cash Reserve, a money market fund in 1984-5; the Progressive Value Fund, an equity portfolio in 1993; and the Pacific Advisors Balanced Fund in November 2000 and again in March 2003.

Mr. Bache graduated *cum laude* from Phillips Academy in Andover, MA. He earned a B. A. in History at Yale (1979), an MBA in Finance & Accounting from Columbia University's Graduate School of Business (1984), and an M.A. in European Economic History from UCLA (1993). He obtained the Chartered Financial Analyst (CFA) designation in 1990.

Mr. Bache began his professional career as an assistant securities analyst with Gabelli & Company in 1982. In 1984, he joined Transamerica as portfolio manager for a \$400 million money market mutual fund. He successively traded several multi-billion dollar, longer maturity, insurance company portfolios. In 1986-7, he oversaw the only outside equity portfolio the firm handled. Later, he was affiliated with Govaars & Associates, as senior portfolio manager for corpo-

rate fixed income assets. In 1989 he established Pasadena-based Yosemite Asset Management, an independent investment counselor, subsequently merged to form Hamilton & Bache.

A resident of La Cañada-Flintridge, Mr. Bache is a past Director and officeholder of multiple local alumni organizations. Amongst other community endeavors, he was Chief Financial Officer of the Community Foundation of the Verdugos twice. He joined the Board of the Alex Regional Theatre in 2004 and formerly served as Treasurer. He is also Vice President of the Rotary (Noon) Club of Glendale.

Mr. Bache is a member of numerous professional organizations including the CFA Institute. He has taught the entire investments course sequence at Woodbury University, guest lectured at USC and graded CFA exams. His comments have appeared in the regular and financial press, including Barron's, Glendale Gazette, Investor's Business Daily, the Los Angeles Times, the Washington Post, Bloomberg News Service, and most recently Reuters.

B. Other Business

Bache Capital Management has no other business.

C. Performance-Based Fees

Bache Capital Management is not compensated by performance-based fees.

D. Additional Disciplinary Information

1. Arbitrations

Neither the Firm nor any of its associated persons has been involved in an arbitration that resulted in an award against any of those persons in excess of \$2,500 or that found any of such persons liable in an arbitration claim that alleged damages in excess of \$2,500 involving any of the following:

- a. an investment or an investment-related business or activity;
- b. fraud, false statement(s), or omissions;
- c. theft, embezzlement, or other wrongful taking of property;
- d. bribery, forgery, counterfeiting, or extortion; or
- e. dishonest, unfair or unethical practices.

2. Civil, Self-Regulatory or Administrative Actions

Neither the Firm nor any of its associated persons has been involved in an action that resulted in an award or otherwise found such person liable involving any of the following:

- a. An investment or an investment-related business or activity;
- b. Fraud, false statement(s), or omissions;
- c. Theft, embezzlement, or other wrongful taking of property;
- d. Bribery, forgery, counterfeiting, or extortion; or
- e. Dishonest, unfair or unethical practices

E. Relationship with Issuers of Securities

Bache Capital Management has no relationships with issuers of any securities.

F. Material Conflicts of Interest

All material conflicts of interest under CCR Section 260.238 (k) are disclosed regarding Bache Capital Management, its representative or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

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