

**Brochure Date: February 27, 2020**

**Firm Name:**

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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 253-649-4600; or [bcox@pacificasset.com](mailto:bcox@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 no material changes to this document since our last update, March 19, 2019.

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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, Brian W. Cox and Joshua Morin 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 December 31, 2019 PAM, had \$190,000,000 in total assets. Non-discretionary assets comprised approximately \$4,600,000 while discretionary assets comprise approximately \$185,400,000 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 trade fee, which will be deducted from your account. For institutional clients, please refer to the participant fee disclosure form available through your employer for a complete list.
3. Fees. PAM will, on occasion, negotiate lower fees on a case by case basis for larger accounts that warrant such consideration. 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 institutional clients where Dimensional Retirement Plan Services (DRPS) provides plan administrative services, 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 DRPS from clients' accounts. Should the plan sponsor decide to pay fees directly to PAM, those fees are due within 30 days of the invoice date.
6. PAM does not charge an additional fee for financial planning services

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
- Immediate family of PAM members and employees

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

Performance based fees are based on a share of capital gains or capital appreciation of client assets. PAM does not accept or assess performance based fees of any kind or side-by-side management.

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

PAM provides investment advisory services to individuals as well as institutional pension, profit sharing and non-profit endowment plans.

### Minimum Account Size

Individual Client - \$100,000

Institutional Client - \$1,000,000

*Account minimums may be waived or altered on a case by case basis.*

## **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.

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 maximize the chance of achieving such goals. We have always stood firm in our conviction that evidence based investing that seeks to gain insight on market returns provides a better investment outcome for our clients over the long term.

Our investment strategy includes the use of low cost, custom designed index funds designed to seek out premium returns across 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.

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

### **Item 9 - Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of the firm or the integrity of our management. PAM is currently not subject to, nor has ever been subject to, any legal or disciplinary events.

### **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. PAM is not affiliated with Cox & Lucy CPA's, although the tax practice continues to use Don and Gary's surname.

Donald Gardner, an Investment Advisor Representative with PAM, owns and operates a full service accounting firm, Gardner Accounting, located in Shelton, WA. PAM's Shelton office and Gardner Accounting do not share the same office space. Mr. Gardner also handles some PAM clients' tax needs.

PAM may recommend Gardner Accounting to advisory clients in need of accounting services. Accounting services provided by Gardner Accounting are separate and distinct from the advisory services of PAM. PAM receives no referral fees for these recommendations. No PAM client is obligated to use Gardner Accounting 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**

Since our inception in 1998 PAM has established a long term relationship with Charles Schwab & Co. that would be difficult to replace. The factors considered in selecting Charles Schwab as our custodian/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. Charles Schwab is our sole custodian for all individual clients. With the increased focus on cyber-crime, Schwab has also taken great measures in implementing safeguards to protect client accounts from fraudulent activity.

As PAM continues to expand its footprint into institutional portfolio management, the need for a full service record-keeper, custodian and trustee emerged. Given PAM's long standing relationship with Dimensional Fund Advisors, Dimensional Retirement Plan Services (DRPS) was chosen to fill this role. Through DRPS shares are held at Fidelity serving in a sub-accounting role. UMB Bank, N.A. serves as directed trustee, holds title and safeguards the assets for the benefit of the plan.

PAM does not receive any soft dollar benefits or client referrals from Charles Schwab & Co. DRPS, Fidelity or UMB Bank, N.A in exchange for PAM clients using their services.



## **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.

PAM has the authority to deduct quarterly fees from client accounts upon PAM's instruction to the custodian. The fee agreement authorized by each client is outlined in the clients Advisory Agreement. DRPS shares are held at Fidelity serving in a sub-accounting role. UMB Bank, N.A. serves as directed trustee, holds title and safeguards the assets for the benefit of the plan.

PAM mails quarterly statements to all clients. In addition, Charles Schwab & Co and DRPS each send monthly statements to all clients. Clients are urged to compare both monthly and quarterly statements to ensure they reconcile.

### **Standing Letter of Authorization**

When our clients enter into agreements with Charles Schwab where the client requests the custodian transfer funds to a third-party, we are considered to have custody of client funds. To assure that our client's funds are safeguarded we take the following steps:

1. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
2. The client authorizes us, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.

4. The client can terminate or change the instruction to the client's qualified custodian.
5. We don't have the authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
6. We maintain records showing that the third party is neither a related party of ours nor located at the same address as us.
7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

### **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 neither requires nor solicits prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure. Further, PAM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients.

PAM has not been the subject of a bankruptcy proceeding in the firm's 20 years of existence.

Pacific Asset Management, LLC

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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 Office 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
- College for Financial Planning, Denver, CO

Business Background:

Mr. Lucy practiced as a CPA in Port Orchard, WA where he was a principal and partner of Cox & Lucy CPAs from October 1984 to October 2010. He has been a 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

Business Background:

Mr. Cox practiced as a CPA in Port Orchard, WA where he was a principal and partner of Cox & Lucy CPAs 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. He is currently a managing member of PAM.

***Joshua Morin - Investment Advisor Representative, Born 1984***

Education:

- University of Portland, Portland, OR – 2007 B.A Finance & Accounting
- Certified Public Accountant (CPA)\* WA designation earned April 2010

Business Background:

Joshua began his career in 2007 as an accountant for a regional accounting firm in Oregon. Joshua brings many years of tax, assurance and financial accounting expertise to Pacific Asset Management. He is a Washington Board Certified Public Accountant (CPA) and a member of the American Institute of CPA's. In addition, Josh is a member of the Gig Harbor Midday Rotary and embodies Rotary's motto of 'Service above Self.' In July of 2018, Joshua became a Principal Member at Pacific Asset Management, LLC.

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

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.

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

Education:

- University of UTAH, Salt Lake City, UT. – 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.

***Deborah Schmidt - Co-Operation's Manger, Born 1966***

Education:

- Pacific Lutheran University, Tacoma, WA. – 1989 B.S. Exercise Science with a minor in Biology

Business Background:

Deborah Schmidt is a graduate of Pacific Lutheran University where she was on the Dean's list for academic excellence. Deborah brings over 20 years of not-for-profit management and operations experience and looks forward to assisting you at Pacific Asset Management. In her free time you can find Deborah in her garden or on a run.

\*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 120 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, Joshua Morin, Pamela Sutton, nor Deborah Schmidt 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).