

**Item 1 – Cover Page**

# Chinook Capital Management, LLC

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503-228-1116

[www.ChinookManagement.com](http://www.ChinookManagement.com)

March 27, 2012

This brochure (also known as ADV 2A) provides information about the qualifications and business practices of CHINOOK CAPITAL MANAGEMENT, LLC (“Chinook”). If you have any questions about the contents of this brochure, please contact us at 503-228-1116 or via email at [rmonroe@chinookcapital.com](mailto:rmonroe@chinookcapital.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.

Chinook is an investment adviser registered with the Securities and Exchange Commission. Registration of an Investment Adviser does not imply any level of skill or training.

The oral and written communications of an Adviser provide you with information you may evaluate in deciding to hire or retain an Adviser.

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

## **Item 2 – Material Changes**

Chinook's annual amendment to its disclosure document, also known as ADV 2A and 2B, was filed on March 27, 2012. The amendment included the following material changes from the previous brochure, dated March 25, 2011:

1. Item 8: The addition of two new investment strategies: Enhanced Income and Stable Return.
2. Item 14: The addition of William Langley as an unaffiliated cash solicitor for Chinook.
3. Item 17: Clarification of Glass Lewis' role in the proxy voting process.

Pursuant to SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent brochures within 120 days of the close of our business' fiscal year. We may provide other ongoing disclosure information about material changes as necessary.

We will provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

Currently, our brochure may be requested by contacting Roberta Monroe, Chinook's Chief Compliance Officer, at 503-228-1116, by email at [rmonroe@chinookcapital.com](mailto:rmonroe@chinookcapital.com) or by mail at 4380 SW Macadam Avenue, Portland, Oregon, 97239. Our brochure is also available on our web site [www.chinookmanagement.com](http://www.chinookmanagement.com), also free of charge.

Additional information about Chinook is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Chinook who are registered, or are required to be registered as investment adviser representatives of Chinook.

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#### **Item 4 – Advisory Business**

Chinook Capital Management LLC is a Northwest-based investment management firm founded in 1997. The firm is 100% employee owned, with an investment team of 3 professionals:

Gregory J. Houser, CFA

Greg has been a CFA Charterholder since 1979

DOB 06/15/1948

University of Oregon, BA Business

University of California, Los Angeles, MBA Finance

Chinook Capital Management, LLC; Managing Partner; Portland, OR; 1997 to present

Chinook Capital Company, LLC; Managing Partner; Portland, OR; 1997-2001

Capital Consultants, Inc.; President and CIO; Portland, OR; 1974 - 1997

Lantz Stringham, CFA

Lantz has been a CFA Charterholder since 2000

DOB 08/22/1969

University of Utah, Eccles School of Business, BS Finance

Chinook Capital Management, LLC; Portland, OR; 2002-Present

Red Chip Companies; Senior Equity Analyst; Portland, OR; 1999 to 2002

American Express Financial Advisors; Analyst; Salt Lake City, UT; 1994-1999

Grant Brown, CFA

Grant has been a CFA Charterholder since 2005

DOB 03/22/1977

Stanford University, BS Industrial Engineering

Chinook Capital Management LLC; Portland, OR; 2004-Present

Ascend Capital; Associate Analyst; San Francisco, CA; 2001-2004

Credit Suisse First Boston; Analyst; New York, NY; 1999-2001

*CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute. See ADV 2 Supplement B for CFA Charter information.*

Chinook requires all employees providing investment advice to clients to have a relevant college degree or equivalent investment related experience and all required state and federal licenses. All Investment Committee members are required to have a relevant college degree and a relevant certification or advanced degree specific to the investment field or more than five years relevant experience.

Chinook provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, corporations, municipalities, registered mutual funds, trust programs, and other U.S. institutions.

Chinook builds well-diversified portfolios based upon conservative principles with a long-term capital appreciation perspective. Chinook invests in individual stocks as well as in outside investment funds, utilizing:

- multiple asset classes;
- growth and value styles;
- international and non-core (hedged, country-specific, and real estate partnerships); and
- fixed income exposures.

Chinook tailors its advisory services to the individual needs of clients through its portfolio design process:

#### Step1: Identify Objectives

The initial meeting with your investment professional is generally spent answering questions about your financial and lifestyle objectives. Collectively, we determine your risk tolerance and merge that with your cash needs, growth expectations and investment horizon. Part of this process is also to evaluate your current portfolio.

#### Step2: Create Investment Policy Statement

This document provides needed structure to formalize the objectives, define allocation constraints, identify restrictions on investing in certain securities or types of securities, and set guidelines for performance evaluation; leading to transparent and relevant communication.

#### Step 3: Build Your Portfolio

In this step, we maintain a balance between objectives, risk tolerance, market changes and economic assumptions. Also, adjustments are made to the portfolio taking into consideration taxes, estate planning, and other outside assets, such as 401(k) plans.

#### Step 4: Provide Client Support

Ongoing support is provided through frequent communications between you and your Chinook service representative, both written and face-to-face. Your portfolio is periodically rebalanced to maintain your strategic asset allocations. We continue to monitor your situation to determine if significant changes require adjustments to your asset allocation to better fit your circumstances.

Chinook offers financial planning to its High Net Worth clients which consists of defining personal financial planning goals and objectives to be pursued in various areas. These may include, but are not limited to: business planning, pension consulting, children's education, retirement planning, disability protection, estate planning, and tax planning. In addition we supply analysis and recommendations as to the actions and investment strategies necessary to attain these goals and objectives.

Unless directed otherwise in writing by the client, Chinook is authorized to receive and vote proxies on securities held in the account and receive annual reports. See Item 17 for additional information.

As of March 20, 2012\*, Chinook managed client assets totaling:

Discretionary basis:               \$290,500,000

Non-discretionary basis:   \$ 15,700,000

\* Calculated within 90-days of this amendment, rounded to the nearest \$100,000

Chinook has engaged a third-party class action claim filing service to research, prepare and file proof of claim forms in connection with the settlement of securities class action lawsuits on behalf of our clients. To facilitate the claim filing process, Chinook provides position and transactional data to the service provider on an ongoing basis. Claim service fees are paid from client settlement proceeds prior to distribution to clients or their custodian banks. Clients may opt out of the service and file their own claims if they wish.

### **Item 5 – Fees and Compensation**

We are an asset-based fee investment manager. Our management fees are generally assessed quarterly, in advance, though some institutional clients are billed in arrears. Unless otherwise requested by the client, fees will be deducted from the client's account which may result in the liquidation of securities if there is insufficient cash in the account. Payment is due within 10 days from the date of the invoice for fees not debited from the accounts.

The fee will be calculated using one of the schedules listed below (depending upon the investment program), multiplied by the market value of the assets on the last day of the previous quarter. Fees are

calculated on the aggregate fair market value of the securities, cash balances and accruals in the client account as of the last day of the prior quarter.

Prorated fees may be assessed for partial quarters at the beginning or termination of the investment management agreement and/or for assets added to or removed from an existing portfolio during a quarter. Prorated fees will be based on the number of days the account was funded during the quarter.

We may amend the fee schedule with 30 days written notice to the client. The client may terminate the relationship at anytime by sending us a written notice. Termination will be considered effective immediately and prorated fees will be refunded promptly.

A minimum annual fee may apply, although in certain cases these minimums may be waived. All fees are negotiable.

**High Net Worth Clients:**

<u>Equity and Balanced Account</u>	<u>Annual Fee</u>
First \$1,000,000	1.10%
Next \$3,000,000	0.90%
Next \$6,000,000	0.75%
Over \$10,000,000	Negotiable
Minimum annual fee	\$7,500

**Institutional Clients:**

<u>Equity Account Value</u>	<u>Annual Fee</u>
First \$25,000,000	1.00%
Over \$25,000,000	0.90%

To place a value on the assets in the portfolios:

- securities traded on markets that publicly report transaction prices will be valued at the last reported sale price;
- other readily marketable securities will be valued using a pricing service or through quotations from one or more dealers;
- all other securities will be fair valued on the last day of each quarter by Chinook, whose assessment will be considered conclusive.

Due to differing sources, portfolio statements may not exactly match statements issued by custodians.

All brokerage commissions, transaction fees, stock transfer fees, custodial fees, wire transfer and electronic fund fees, fees charged by managers, and other similar charges incurred in connection with transactions for and custody of the account will be paid out of the assets in the account and are in addition to the investment management fees paid to Chinook. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are in addition to Chinook's fee and we do not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that Chinook considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

Chinook does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

Chinook provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, corporations, municipalities, registered mutual funds, trust programs, and other U.S. institutions.

Chinook requires a minimum portfolio balance of \$750,000.00 for High Net Worth clients and \$5,000,000 for Institutional clients.

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

### **I. Analysis**

Chinook's investment team conducts ongoing global economic assessments as well as individual company and mutual fund analysis to uncover investment opportunities that present compelling trade-offs between risk and return.

### **II. Investment Strategies**

#### **Growth-oriented Investment Strategies (Core and Small Cap Growth)**

The investment objective of both the Core and the Small Cap Growth ("SCG") strategies is to provide long-term capital appreciation.

The Core strategy portfolio consists of 40 large and mid-cap stock investments with a 60%-90% bias toward growth. The benchmark is the S&P 500 Index.

The SCG strategy portfolio consists of 40-60 small cap stock investments with a 100% growth bias. The benchmark is the Russell 2000® Growth Index.

The Core and SCG strategies invest in common stocks of companies that we believe offer growth opportunities at reasonable valuations. These strategies may be suitable for:

- Long-term investors seeking an investment program with a growth investment strategy
- Investors who can tolerate the risks and volatility associated with common stock investments

In determining whether to purchase a particular issuer's stock for the growth portfolios, Chinook assesses the growth prospects of the issuer and price of the stock based on several qualitative and quantitative criteria including:

- valuation of discounted cash flows
- rate of earnings growth
- level of profitability
- earnings quality
- market position
- size of the market in which the issuer competes
- management tenure, track record and credibility
- strength of balance sheet

Certain market or industry sectors may be overweighted compared to others because Chinook seeks the best investment opportunities regardless of sector. For example, the growth strategies may at times be overweighted in companies that provide health care, technology or consumer goods and services, although the sectors which may be overweighted will vary at different points in the economic cycle. Chinook will not invest more than 40% of strategy assets in any one sector, as determined by Russell classifications.

Within the growth strategies, Chinook will generally invest at least 90% of assets in equity securities, with the remaining 10% held in money market funds and other cash equivalents. Chinook will not invest more than 5% of strategy assets in any one issuer.

For SCG, Chinook employs a proprietary quantitative price discipline that calculates daily sell limits based on each stock's cost basis and price volatility relative to that of the strategy benchmark. Chinook generally relies on this pricing model to determine when to sell securities. Chinook also may sell a security when research indicates that the company's prospects have diminished or when Chinook believes that better investment opportunities are present.

### **Diversified Equities Investment Strategy**

The primary objective of the Diversified Equities strategy is to provide long-term growth for the investor's assets without a need for current income.

The Diversified Equities strategy portfolio is dynamically and broadly diversified across asset classes and investment styles. The Diversified Equities strategy invests primarily in mutual funds and ETFs but utilizes the Core and/or SCG strategies for those segments of the allocation where account values warrant individual stocks. The benchmark is the S&P 500 Index.

Asset classes in the Diversified Equities Strategy include:

- Large Cap Growth Equity
- Large Cap Value Equity
- Mid Cap Growth Equity
- Mid Cap Value Equity
- Small Cap Growth Equity
- Small Cap Value Equity
- International Growth Equity
- International Value Equity
- Non-Core (hedged, country-specific, etc.)

The Diversified Equities Strategy is combined with a range of fixed income mutual funds (short-term, floating rate, intermediate term) as needed for each client's investment objectives and risk tolerance.

Chinook conducts rigorous research of a broad universe of carefully screened managers to select funds that are the best available for each asset class and investment style. Chinook continues to monitor each fund to ensure that managers remain loyal to their respective investment styles.

Chinook also provides investment advice on United States governmental securities, municipal securities, commercial paper, certificates of deposit, warrants, securities options, futures contracts, although these are generally not included in our recommended strategies.

Chinook may, on occasion, recommend that all or a portion of the assets in the account be managed by an outside investment manager or sub-adviser. With the exception of fees charged by mutual fund companies, sub-advisory fees are generally paid from our advisory fees and will not result in increased fees to our clients. In all discretionary accounts, except to the extent the client directs otherwise, we are authorized to use our discretion in selecting or changing a sub-adviser and/or outside money manager without prior approval from the client. Sub-advisers selected by Chinook may require the client to execute a limited power of attorney to authorize their management services.

### **Enhanced Income Strategy**

The primary objective of the Enhanced Income strategy is to generate current income and preserve long-term purchasing power while minimizing volatility using tactical hedging.

The Enhanced Income strategy is a tactical allocation approach, investing in a variety of investment areas primarily focused on dividend paying stocks, mutual funds (open and closed ended), and exchange traded funds (ETFs).



Investments include domestic common stocks, short positions in broad based ETFs for hedging purposes, covered call funds, high yield funds, and international bond funds, among other income producing strategies. Chinook actively manages the allocation to each category as well as the individual holdings in addition to the level of hedging at any point in time, turnover, and tax sensitivity.

Overall, the goal is to maintain a moderate level of growth with lower volatility than an equity-only strategy while producing income greater than what is found using traditional bonds (albeit with higher risk). The Enhanced Income strategy can be used to compliment or substitute exposure to a combination of traditional fixed income and equity.

### **Stable Return Strategy**

The primary objectives of the Stable Return strategy are to limit volatility while seeking long-term returns that exceed the rate of inflation.

The Stable Return strategy is a tactical allocation approach, primarily using mutual funds to invest in a variety of alternative investment areas that tend to have low correlations to broad equity benchmarks such as the S&P 500. Examples of investment categories can include conservative and moderate allocation strategies, commodities and managed futures, long/short strategies, currencies, flexible allocation strategies, natural resources, and alternative credit strategies.

Underlying investments are determined by investment process and track record that demonstrate effectiveness in achieving objectives consistent with style-related risk and return expectations. Chinook actively manages the strategy's allocation as well as individual holdings with the objective of lowering volatility and correlation with the broader equity market while seeking positive long-term inflation-adjusted returns.

The program is consistent with a conservative to moderate risk and return profile. The Stable Return strategy can be used as a substitute for exposure to a combination of traditional fixed income and equity or as an added element of diversification in a more comprehensive investment program.

### **III. Risk of Loss**

All investments involve some risk of loss. The strategies described above do not fit all client situations. The individual circumstances, financial status, risk tolerance and investment objectives will determine the appropriateness of a strategy for each investor.

#### **Principal Risks of Investing in Common Stock Investment Strategies**

Volatility Risk. Equity securities tend to be more volatile than other investment choices. The value of an individual company can be more volatile than the market as a whole.

Market Risk. Overall stock market risks may also affect the value of client accounts. Factors such as domestic economic growth and market conditions, interest rate levels and political events affect the securities markets and could cause the strategy's value to fall.

An investment in common stocks is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

#### **Additional Risks of Investing in Chinook's Growth Strategies (Core and Small Cap Growth)**

Growth Risk. These strategies invest in companies that appear to be growth-oriented. Growth companies are companies that we believe will have revenue and earnings that grow faster than the economy as a whole, offering above-average prospects for capital appreciation and little or no emphasis on dividend income. If the advisor's perceptions of a company's growth potential are wrong, the securities purchased may not perform as expected, reducing the strategy's return.

Sector Risk. To the extent that Chinook focuses its investments in one or more economic sectors, factors affecting those sectors could affect performance. For example, technology companies are subject to the risk that their products can quickly become obsolete.

Neither Core nor SCG is a complete investment program.

**Additional Risks of Investing in Chinook's Small Cap Growth (SCG) Strategy:**

Small Cap Risk. Small-cap companies selected generally will have total market capitalizations that do not exceed \$3 billion. To the extent SCG invests in smaller capitalization companies, SCG will be subject to additional risks. These include:

- The earnings and prospects of smaller companies are more volatile than larger companies.
- Smaller companies may experience higher failure rates than do larger companies.
- The trading volume of securities of smaller companies is normally less than that of larger companies and, therefore, may disproportionately affect their market price, tending to make them fall more in response to selling pressure than is the case with larger companies.
- Smaller companies may have limited markets, product lines or financial resources and may lack management experience.

Portfolio Turnover Risk. At times, SCG may have a portfolio turnover rate that is higher than other equity strategies. A high portfolio turnover would result in correspondingly greater brokerage commission expenses. These factors may negatively affect account performance.

Concentration Risk. Chinook's growth strategy portfolios often will consist of larger positions in a fewer number of companies than more broadly diversified investment programs. In addition, the strategies may retain securities that appreciate in value, even if the position ultimately represents a large percentage of the strategy's total portfolio.

**Additional Risks of Investing in Chinook's Enhanced Income Strategy:**

In addition to some common stock exposure, the Enhanced Income strategy risks include:

Closed end funds. Closed end funds, unlike open ended mutual funds, trade in a secondary market and are subject to liquidity constraints. Pricing is set by the market, similar to an exchange traded fund or stock and, consequently, the market price may deviate from the combined value of all the holdings in the fund (NAV).

Interest rate exposure. There is significant risk related to the movement of interest rates. Given that price and yield are inversely related, a substantial upward move in interest rates would reduce the principal value of the bond securities held in the funds.

International exposure. There is some currency related risk in the strategy given the use of international bonds which may not be hedged against all movements in currency exchange rates.

Conversion risk. There is some risk, albeit relatively minor, that the issuers of convertible and or preferred securities call in or pay off the securities they have issued and the funds are required to reinvest the proceeds under less favorable terms.

Debt funds. The risk that the underlying corporate or government lenders may default on their obligation to repay (reduced by the diversification within the fund).

Covered call writing funds. The risk of losing some of the upside potential of the fund's stock holdings (at least partially offset by receipt of the price of the call options from the option's buyers).

## **Additional Risks of Investing in Chinook's Stable Return Strategy:**

In addition to some common stock exposure, the Stable Return strategy risks include:

Debt funds. The risk that the underlying corporate or government lenders may default on their obligation to repay (reduced by the diversification within the fund).

Derivatives. A principal risk of investments in derivatives is that the fluctuations in their values may not correlate perfectly with the overall securities markets or with the underlying asset from which the derivative's value is derived. Some derivatives are more sensitive to interest rate changes and market price fluctuations than others. Derivatives also may be subject to counterparty risk, which includes the risk that a loss may be sustained as a result of the insolvency or bankruptcy of, or other non-compliance by, the other party to the transaction.

Commodities and managed futures. Commodity and futures trading is generally considered speculative because of the significant potential for investment loss. Markets for commodities and futures are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

Foreign Currency. The value of the Fund's investments, as measured in U.S. dollars, may be unfavorably affected by changes in foreign currency exchange rates and exchange control regulations.

Foreign Securities. Investing in foreign securities involves a number of economic, financial and political considerations that may not be associated with the U.S. markets and that could affect the Fund's performance unfavorably, depending upon the prevailing conditions at any given time. Among these potential risks are: greater price volatility; comparatively weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; fluctuations in foreign currency exchange rates and related conversion costs; adverse foreign tax consequences; and settlement delays.

Hedging. If successful, hedging strategies can reduce risk of loss by wholly or partially offsetting the negative effect of unfavorable price movements, but such strategies also can also result in losses or reduce opportunity for gain by offsetting the positive effect of favorable price movements.

Interest rate exposure. There is significant risk related to the movement of interest rates. Given that price and yield are inversely related, a substantial upward move in interest rates would reduce the principal value of the bond securities held in the funds.

Real estate and natural resources. Any decline in the general level of prices of oil, minerals or real estate would be expected to have an adverse impact on these stocks. The prices of these stocks are particularly vulnerable to decline in the event of deflationary economic conditions. Investments in real estate and natural resource companies are also subject to both market risk and capitalization risk.

## **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 your evaluation of Chinook or the integrity of Chinook's management. Chinook has no information applicable to this Item.

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

Other than the advisory activity described in this brochure, Chinook has no other financial industry activity or affiliations.

## **Item 11 – Code of Ethics**

Chinook has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information; a prohibition on insider trading; a prohibition of rumor mongering; restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items; and personal securities trading procedures, among other things. All

supervised persons at Chinook must acknowledge the terms of the Code of Ethics at the time of hire, annually, and as the Code is amended.

Chinook's employees are required to follow Chinook's Code of Ethics. Subject to satisfying this policy and applicable laws, employees of Chinook may trade for their own accounts in securities which are recommended to and/or purchased for Chinook's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Chinook will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Under the Code, certain classes of securities have been designated as exempt transactions based on a determination that the transactions would not materially interfere with the best interest of Chinook's clients. In addition, the Code requires pre-clearance of many transactions, restricts trading in close proximity to client trading activity, and requires continual monitoring of Employee trading.

Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee.

Certain employee accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Chinook's obligation of best execution. In such circumstances, the employee and client accounts will share commission costs equally and receive securities at a total average price. Chinook will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated according to Chinook's allocation policy. Any exceptions will be explained on the Order.

Chinook's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Roberta Monroe at 503-228-1116, by email at [rmonroe@chinookcapital.com](mailto:rmonroe@chinookcapital.com) or by mail at 4380 SW Macadam Avenue, Portland, Oregon, 97239.

Chinook does not maintain any principal investment accounts and is not a broker-dealer nor does it have any affiliations with broker-dealers so there is no risk of principal\* or agency cross\*\* securities transactions for client accounts or cross trades between client accounts.

*\*Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account.*

*\*\*An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.*

## **Item 12 – Brokerage Practices**

Our Investment Committee determines the guidelines for brokerage practices. Except to the extent the client directs otherwise, we will use our discretion in recommending the broker-dealer and, therefore, the commissions charged.

### **Best Execution**

In selecting or recommending a broker-dealer we will comply with our fiduciary duty to obtain best execution and with the Securities Exchange Act of 1934. Best execution is defined as the best **total** cost in trading a security, not the lowest price or commission rate. Chinook Capital maintains a list of

approved broker and dealers, including those who have demonstrated strong understanding of our trading, investment style and strategy in order to facilitate best execution.

The Brokerage Committee will take the following criteria under consideration when selecting brokers:

1. Adequate financial health – obtain most recent financial Focus Report (Form X-17A-5)
2. Broker’s ability to minimize total trading cost – this would be the explicit cost of the trade (commission) and implicit costs (market impact)
3. Broker’s trading expertise in the specific types of markets or securities that we will be trading. Brokers that specialize in small cap stocks, illiquid issues, and/or our current portfolio holdings will tend to more valuable to our firm. A Broker should be able to:
  - a. Search for and obtain liquidity to minimize market impact and accommodate unusual market conditions
  - b. Complete trades
  - c. Execute unique trading strategies
  - d. Execute and settle difficult trades
  - e. Maximize the opportunity for price improvement
  - f. Execute a trade quickly
  - g. Maintain the anonymity of Chinook Capital Management
  - h. Exert the necessary effort to satisfy trading needs in a diligent and consistent manner
  - i. Account for and minimize its trade errors and correct them in a satisfactory and timely manner
4. Ability to provide valuable research or services including:
  - a. Suggestions that improve the quality of trade executions
  - b. Proprietary or third-party research
  - c. Access to research analysts
  - d. Access to broker staff, and
  - e. Access to a company’s insiders
5. Ability to provide services to accommodate special transaction needs including:
  - a. Execute and account for Soft Dollar Arrangements and Client Directed Brokerage Arrangements
  - b. Participate in underwriting syndicates and obtain initial public offering shares
6. Broker’s commitment and implementation of technology and infrastructure. Trading technology changes rapidly and we need to make sure we can access and utilize the latest tools and information including:
  - a. Order entry systems and connectivity to our execution management systems
  - b. Access to multiple exchanges, dark pools and algorithms
  - c. Adequate line of communications and rapid response
  - d. Timely order execution reports
  - e. An efficient and accurate clearance and settlement process and
  - f. Capacity to accommodate unusual trading volume
7. Reputation for diligence, fairness and integrity

### **Soft Dollars**

When we believe it will materially benefit clients, Chinook may choose brokers who charge an increased commission in exchange for providing commission revenue known as ‘soft dollars.’ Chinook uses soft dollars to purchase both proprietary research (created or developed by the broker-dealer) and research

created or developed by a third party research that qualify for the safe harbor in section 28(e) of the Securities Exchange Act of 1934.

The research consists of information services, software, and a proxy voting research that could otherwise be obtained only at Chinook's expense. Chinook also allocates trades to certain broker-dealers in order to obtain research for which a dollar value cannot be determined. The research obtained through soft dollar payments and trade allocations benefit many clients, not just those participating in commission generating trades and may represent a conflict of interest. Clients may pay higher commissions than may be obtained through other firms due to our soft dollar and trading arrangements.

The Trader will determine the trade distribution between the approved executing brokers and the commission rates to be charged (within the \$0.00-0.05 range established by the Committee). These decisions will be based on the need to fulfill the projected soft dollar budget as accurately as trading volume allows and to generate the soft dollar commissions in as equitable a manner as possible across client accounts. Soft dollar commissions, payments, policies and practices are periodically reviewed by the Brokerage Committee to evaluate the value and costs of services received. The Brokerage Committee also reviews the annual and quarterly soft dollar budget and balances, execution performance of broker-dealers, and any changes in soft dollar regulations.

### **Directed Brokerage**

Client directed brokerage or commission recapture may cost clients more money since directing trades to client specified broker-dealers may:

- a. limit Chinook's ability to aggregate trades to obtain volume prices;
- b. limit the Chinook's ability to negotiate commissions;
- c. create a conflict of interest arising from brokerage firm referrals; and
- d. create a disparity in commission charges among clients.

It is the policy of the Company that the required directed brokerage disclosures be set forth in the Investment Management Agreement, addendums to existing Investment Management Agreement that add Directed Brokerage instructions, and Form ADV Part 2.

In managing Directed Brokerage arrangements, the Trader is responsible for:

- a. notifying the CCO of new DB instructions;
- b. managing DB activity to assure fulfillment of instructions
- c. maintaining DB records and reporting the status of arrangements to Brokerage Committee each quarter.

### **Brokerage Committee**

The Brokerage Committee, comprised of the trader (if other than a member of the Investment Committee), the Investment Committee, and the Chief Compliance Officer, monitors and evaluates execution quality and the selection of executing broker/dealers. The Committee also approves and reviews all soft dollar credits and purchases and oversees client-directed brokerage requirements.

### **Trade Aggregation**

Chinook is authorized to aggregate purchases, sales and other transactions of the same securities for all clients. When transactions are aggregated, the transaction prices will be averaged and each account will purchase or sell its proportionate share of the security at the average price. Partially executed aggregate trades will be allocated according to our Allocation Policy to prevent favoritism to any accounts. In brief, partially executed aggregate trades will be allocated pro rata if at least 25% executed, allocated by random selection if less than 25% executed, and any trade requiring manual allocation that varies by more than 10% from the pre-trade allocation plan will require CCO approval no later than one hour after the opening of the U.S. markets on the day following the trade. Stock exchange regulations may prevent the

executing broker-dealer from delivering a confirmation notice to individual account owners participating in aggregated transactions. Except to the extent directed otherwise through client custodial agreements or as required by law, we will not be responsible for forwarding confirmation notices of any transactions effected for client accounts.

### **Item 13 – Review of Accounts**

Chinook's Investment Committee is responsible for overseeing all investment advisory activities on a daily basis. Factors reviewed include changes in fundamentals of companies or entities issuing securities owned or being considered for ownership, as well as the prices of such securities and significant economic or industry developments. All individual fixed income positions are reviewed quarterly unless unusual account or market activity requires more frequent review.

Account allocations are reviewed monthly as part of the composite performance calculation process. A list of any accounts identified as materially varying from their targeted allocation is forwarded to the appropriate employee for further evaluation and reallocation as needed.

Client accounts are generally reviewed semi-annually by client service personnel unless situations arise which require additional attention, such as a strategy change by the Investment Committee, notice of material flow of funds to or from an account or client-directed allocation changes. Due to the dynamic nature of the market, it is possible that allocation variances of +/- 10% may exist in an account at any given time and rebalancing of the assets is not typically initiated for variances of +/- 5%. Account reviews include performance comparisons of account to indices, review of client cash needs, analysis of allocation targets, and review of tax goals and strategies for the year.

Chinook sends a quarterly report to each client which includes portfolio holdings, performance information and an update on current investment strategies and outlook for the future. Frequency and content of other reporting will generally vary with the needs and requests of the client. Chinook recommends one to four meetings each year for High Net Worth clients; meetings are generally held at the client's request. At these meetings, we present a written report which reviews account objectives, performance and investment holdings. Additional discussion will include the economic and financial market outlook, realized gains and losses, past and potential future portfolio changes as well as any changes in the client's circumstances that may materially affect their investment objectives.

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

We withdrew from and no longer receive referrals from Charles Schwab and Co., Inc.'s ("Schwab") referral programs but continue to pay Schwab a fee on all clients' accounts previously referred through those programs. The referral fee we pay to Schwab is a percentage of the fees the client owes to us or a percentage of the value of the assets in the client's account subject to a minimum participation fee. We pay Schwab the referral fee for so long as the referred client's account remains in custody at Schwab. The referral fee is billed to us quarterly and may be increased, decreased or waived by Schwab from time to time. The referral fee is paid by us and not by the client. We have agreed not to charge referred clients fees greater than the fees we charge clients with similar portfolios who are not referred through Schwab.

We will pay Schwab a non-Schwab custody fee if custody of a referred client's account is not maintained by Schwab. This fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The non-Schwab custody fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The one-time non-Schwab custody fee is generally higher than the annual referral fee. This means we have an incentive to recommend that client accounts be held in custody at Schwab.

The referral and non-Schwab custody fees will be based on assets in the accounts of our clients who were referred by Schwab and those referred clients' family members living in the same household. This means we have an incentive to encourage household members of clients referred through Schwab to maintain custody of their accounts and execute transactions at Schwab.

Schwab will not charge our clients separately for custody but will receive compensation from our clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealers' fees. This means we have an incentive to execute trades through Schwab rather than another broker-dealer but we also have a duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for our other clients. Trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

Schwab makes products and services available to us to assist in managing and administering client accounts. These resources include software and other technology that provide access to client account data; facilitate trade execution; provide research, pricing information and other market data; facilitate payment of our fees from clients' accounts; and assist with back-office functions such as recordkeeping and client reporting. These resources benefit us but may not benefit all client accounts and may benefit our client accounts not maintained at Schwab Institutional. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay the fees of a third party providing these services. Although we endeavor to act in our clients' best interests, our recommendation that clients maintain their assets at Schwab may be based in part on the of the availability of these resources and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

We receive client referrals from AMD Capital, LLC ("AMD") to whom we pays a percentage of the referred client's management fee to act as a solicitor. AMD is an independent marketing firm and is unaffiliated with Chinook. AMD does not supervise us and has no responsibility for our management of clients' portfolios or for our other advice or services.

We have engaged William Langley to act as an unaffiliated cash solicitor to introduce prospective clients to Chinook. Langley is an independent contractor to whom we pay a percentage of the referred client's management fee; he has no responsibility for our management of clients' portfolios or for our other advice or services.

### **Item 15 – Custody**

We do not have custody of the assets in client accounts other than the authority to directly debit management fees from some accounts. We have no liability to the client for any loss or any other harm to any asset in the account resulting from the insolvency of the custodian or any acts of the agents or employees of the custodian and whether or not the full amount of such loss is covered by the Securities Investor Protection Corporation (SIPC) or any other insurance which may be carried by the custodian. SIPC provides only limited protection for the loss of property held by a broker-dealer.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Chinook urges you to carefully review such statements and compare the official custodial records to the account statements that we provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Item 16 – Investment Discretion**

At the outset of an advisory relationship Chinook usually receives discretionary authority from the client to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.



When selecting securities and determining amounts, Chinook observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Chinook's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided by each client to Chinook in writing. Custodian firms may require the client to sign additional documentation regarding our trading authority.

### **Item 17 – Voting Client Securities**

Unless directed otherwise in writing by the client, Chinook's Investment Management Agreement with clients authorizes us to receive and vote proxies on securities held in the account and receive annual reports. Chinook has engaged the firm Broadridge, Inc. ("Broadridge") to provide independent, expert opinions on corporate governance and other proxy issues and to vote proxies according to guidelines developed by Broadridge and adopted by Chinook, potentially with modifications. Broadridge has engaged Glass Lewis to provide the guidelines, research and voting recommendation portion of the service. The guidelines are designed to represent shareholder interests and to resolve potential conflicts of interest. Broadridge and Glass Lewis are not affiliated with Chinook. Clients may direct Chinook's vote in a particular solicitation by sending written instructions to Roberta Monroe by email at [rmonroe@chinookcapital.com](mailto:rmonroe@chinookcapital.com) or by mail at 4380 SW Macadam Avenue, Portland, Oregon, 97239 no less than five days prior to the meeting/voting date.

Chinook has taken steps to ensure that Broadridge and Glass Lewis have the capacity and competency to adequately analyze proxy issues and vote proxies in an impartial manner that is in the best interest of the client. Chinook reviews the conflict of interest policies and voting guidelines provided by Glass Lewis via Broadridge annually to ensure that its proxy voting advice remains independent from products and services it offers to issuers. Chinook conducts a periodic review of proxy voting records to ensure proxies have been voted in line with proxy voting policies and guidelines. Copies of the Proxy Voting Policy and a summary of voted proxies are available upon a written or verbal request directed to Roberta Monroe at 503-228-1116, by email at [rmonroe@chinookcapital.com](mailto:rmonroe@chinookcapital.com) or by mail at 4380 SW Macadam Avenue, Portland, Oregon, 97239.

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Chinook's financial condition. Chinook has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.