

Part 2A of Form ADV: *Firm Brochure*

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This brochure provides information about the qualifications and business practices of CTC Consulting, LLC. If you have any questions about the contents of this brochure, please contact Kathy Kamerer at 503-228-4300 or kathy.kamerer@ctcconsulting.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 CTC Consulting, LLC also is available on the SEC's website at www.adviserinfo.sec.gov. Clients can search this site by a unique identifying number, known as a CRD number. CTC's firm's CRD number is 147053. Registration with the SEC does not imply a certain level of skill or training.

Item 2 Material Changes

The SEC adopted "Amendments to Form ADV" in July 2010. This Firm Brochure, dated 03/31/2012, is prepared according to the SEC's new requirements and rules.

Changes since the 03/31/2011 Firm Brochure include the following:

- CTC completed its payment of a specified aggregate amount of distributions to NB Holdings Corporation, a wholly-owned subsidiary of Bank of America Corporation. Macadam Consultants, Inc. now receives 75.1% of the distributions from CTC and NB receives 24.9% of the distributions. (See Item 4 – Advisory Business – Ownership of CTC Consulting.)
- Investment advisors have been added to the list of advisory client types; provision of non-recommended manager due diligence has been added to the list of services for certain clients; monthly "flash" reports has been added to the list of deliverables. (See Item 4 – Advisory Business – Services – Consulting Services (Nondiscretionary).)
- CTC's relationship to the SALI Insurance Fund has been updated to address the decision-making authority granted to CTC despite the non-discretionary nature of the relationship (See Item 4 – Advisory Business – Services – The CTC Insurance Fund.)
- As of 12/31/2012, assets under advisement were approximately \$23 billion and regulatory assets under management were \$581,156,104. (See See Item 4 – Advisory Business – Amount of Managed Assets.)
- Information regarding CTC's relationship with the SALI Madison Fund has been added. (See (See Item 4 – Advisory Business – Services – The CTC Madison Fund; See Item 5 – Fees and Compensation.)
- A client's liquidity requirement is now specified as one of the considerations for strategy recommendations. (See Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss – Investment Strategies.)
- The CTC Madison Fund has been identified as a fund in which CTC's principals may invest. (See Item 11 – Code of Ethics, Participation or Interests in Client Transactions and Personal Trading.)
- CTC's constructive (not physical) custody of certain discretionary client assets has been noted. (See Item 115 – Custody.)

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Item 4 Advisory Business

Ownership of CTC Consulting, LLC

CTC Consulting, LLC (“CTC”) provides consulting and investment management services primarily to wealthy family groups, trusts, endowments, foundations, retirement plans and financial institutions.

CTC is an SEC-registered investment adviser with its principal place of business located in Portland, Oregon. CTC is the successor to CTC Consulting, Inc. (“CTC Inc.”). In a reorganization completed on April 1, 2008, CTC Inc., an Oregon corporation, was converted into CTC Consulting, LLC, a Delaware limited liability company. Before the reorganization, CTC Inc. was a wholly-owned subsidiary of NB Holdings Corporation (“NB”), which, in turn, was a wholly-owned subsidiary of Bank of America Corporation (“BAC”). As part of the reorganization, Macadam Consultants, Inc. (“Macadam”), a Delaware corporation, purchased 75.1% of the equity of CTC. The remaining 24.9% of the equity of CTC was retained by NB.

The business and affairs of CTC are managed by a six-member Board of Managers, all of whom are appointed by Macadam. The Managers own, in the aggregate, a controlling interest in Macadam’s outstanding shares. Other CTC employees own the remainder of Macadam’s outstanding shares. Neither NB nor any other BAC company has the right to appoint any CTC Manager. In addition, NB does not have any voting rights as a member of CTC.

As part of the reorganization, CTC agreed to provide certain rights to NB to protect NB’s investment in CTC. NB has the right to have one representative attend (but not vote at) meetings of CTC’s Board of Managers. In addition, NB’s consent is required for certain extraordinary actions, including without limitation the sale of CTC, the acquisition by CTC of a business or assets for more than \$1 million, and the dissolution of CTC.

For a limited period of time after the reorganization, NB had certain economic rights resembling a preferred return on its equity interest in CTC. NB’s preferential rights to distributions of cash flow and distributions on liquidation terminated in January 2012 after NB received a specified aggregate amount of distributions from CTC. Until that time, NB received approximately 75% of CTC’s distributions. Macadam now receives 75.1% of the distributions from CTC, and NB receives 24.9% of the distributions. The temporary preferential rights did not provide NB or any other BAC company the right to affect the day-to-day management or operations of CTC, or the right to affect the advice that CTC gives its clients or the investment decisions that CTC makes on behalf of its clients. These rights also did not provide NB or any other BAC company the right to appoint any Manager or any member of CTC’s management team or otherwise influence policy-making decisions or management of CTC.

Based on these and other considerations, CTC has concluded that neither NB nor any other BAC company controls CTC, and, therefore, CTC is not an affiliate of NB or BAC. BAC companies include, without limitation, Bank of America, National Association and Bank of America Capital Advisors, LLC (BACA).

Listed below are CTC's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company):

- Macadam Consultants, Inc., a Delaware corporation. (As referenced above, Macadam Consultants, Inc. owns 75.1% of CTC. CTC's Managers own a controlling interest in Macadam's outstanding shares, with no individual owning greater than a 25% interest.)

Services

CTC provides consulting and investment management services primarily to wealthy family groups, trusts, endowments, foundations, retirement plans, financial institutions and other investment advisors. CTC offers the following advisory services to its clients:

Consulting Services (Nondiscretionary)

CTC serves as an investment consultant to most of its clients. In this role, CTC provides analysis and makes recommendations to its clients; it does not have investment discretion over these client assets. As a consultant, CTC generally assists its clients in:

- Developing and reviewing investment policies
- Determining appropriate asset allocations (both strategic and tactical)
- Evaluating and making investment manager recommendations
- Monitoring the performance of the client's investments

Most of CTC's investment recommendations relate to the retention and termination of investment managers and investments in "traditional" investments (long-only mutual funds and separately managed accounts) and "alternative" investments (limited partnership and limited liability company investment funds (hedge funds and private markets funds)).

For some of its consulting clients, CTC provides only a portion of the consulting services described above (e.g., providing clients solely with research or solely with performance reporting). CTC also provides some clients with due diligence reports on non-recommended investment managers.

For certain clients, CTC only constructs customized alternative investment portfolios (hedge funds and private markets funds) and advises clients on investing a portion of their assets in such funds. The customized portfolios are constructed in accordance with the parameters established in the client's investment policy statement. The minimum asset size for a customized portfolio generally is \$25 million.

Most clients for whom CTC provides consulting services receive quarterly performance reports and monthly "flash" reports. Most clients, from time to time, receive CTC research and white paper publications.

Discretionary Services and Nondiscretionary Sub-Advisory Services

Occasionally, CTC provides clients with the consulting services described above, but also has discretion, on behalf of some clients, to retain and terminate investment managers and to invest

account assets in, and withdraw assets from, registered and unregistered funds (e.g., mutual funds, hedge funds and private markets funds).

One private fund to which CTC advises is the CTC Insurance Fund: a Series of the SALI Multi-Series Fund, LP (a private placement life insurance offering). Another private fund to which CTC advises is the CTC Madison Fund Series Interest: a Series of the SALI Multi-Series Fund, LP. SALI Fund Partners, LLC is the General Partner of these funds; CTC is the non-discretionary sub-advisor to the CTC Insurance Fund and the CTC Madison Fund.

CTC serves as discretionary sub-adviser for the BA HF Solutions Funds and as discretionary investment adviser for Porthos Fund as described below.

The CTC Insurance Fund: A Series within the SALI Multi-Series Fund, L.P.

The CTC Insurance Fund (“the Fund”), a series of the Separate Account Life Insurance (SALI) Multi-Series Fund, L.P., is a private insurance dedicated fund sub-advised by CTC.

SALI Multi-Series Fund, L.P. is a Delaware limited partnership (the “Partnership”). The Partnership’s general partner, SALI Fund Partners, LLC (the “General Partner”), exercises ultimate authority over the Partnership and is responsible for its day-to-day operations. SALI Fund Management, LLC (the “Investment Manager”) is responsible for investing the partnership’s assets.

CTC has been retained by the Investment Manager to manage this fund in a sub-advisory capacity and has been granted decision-making authority regarding the asset allocation and investments held by the Fund. Although SALI has final discretion, it has historically implemented all of CTC’s recommendations.

The CTC Madison Fund: A Series within the SALI Multi-Series Fund, L.P.

The CTC Madison Fund (“the Madison Fund”), a series of the SALI Multi-Series Fund, L.P., is a private fund sub-advised by CTC.

SALI Multi-Series Fund, L.P. is a Delaware limited partnership (the “Partnership”). The Partnership’s general partner, SALI Fund Partners, LLC (the “General Partner”), exercises ultimate authority over the Partnership and is responsible for its day-to-day operations. SALI Fund Management, LLC (the “Investment Manager”) is responsible for investing the partnership’s assets.

CTC has been retained by the Investment Manager to manage this fund in a sub-advisory capacity and has been granted decision-making authority regarding the asset allocation and investments held by the Madison Fund. Although SALI has final discretion, it has historically implemented all of CTC’s recommendations.

Porthos Hedged Fund of Funds

CTC serves as investment adviser to a proprietary hedge fund of funds, Porthos Hedged Fund of Funds, LLC (“Porthos”). Porthos is exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”).

Porthos Partners, LLC (“Porthos Partners”), an affiliate of CTC, serves as the manager of the Porthos Fund. CTC receives an advisory fee, as described under Item 5 below, for serving as investment adviser to Porthos. Porthos Partners receives no compensation for its services as manager of the Porthos Fund.

In its role as investment adviser, CTC has discretion to make investments on behalf of Porthos. Porthos invests in a portfolio of third party, unaffiliated, actively managed hedge funds. Detailed information about Porthos is included in the private offering memorandum for Porthos.

BA Hedge Fund Solutions

BA Hedge Fund Solutions, LLC (“Hedge Fund Solutions”) is a series of separate funds of hedge funds (each, a “BA HF Solutions Fund”). BACA, a BAC company, is the Managing Member of Hedge Fund Solutions and the investment adviser of each BA HF Solutions Fund. CTC serves as a discretionary sub-adviser for the BA HF Solutions Funds and is compensated by BACA as set forth below. Hedge Fund Solutions is exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”).

Each BA HF Solutions Fund invests substantially all of its assets in hedge funds managed by experienced investment managers who are not affiliated with CTC or any BAC company. Detailed information about each of the BA HF Solutions Funds, which include the BA Hedged Equity Fund, BA International Hedged Equity Fund, BA Global Opportunities Hedge Fund, BA Credit Opportunities Hedge Fund and BA Low Volatility Hedge Fund, is included in the private offering memorandum for the BA HF Solutions Funds.

Three of the BA HF Solutions Funds (BA Global Opportunities Hedge Fund, BA Credit Opportunities Hedge Fund and BA Low Volatility Hedge Fund) are in the process of liquidating.

Types of Investments

CTC provides investment advice to clients with respect to long-only investment managers, hedge funds, private markets funds and other investment vehicles, which invest in virtually all of the types of securities listed below. CTC’s investment recommendations are not limited to any specific product or service.

By virtue of its investment manager recommendations, CTC advises clients on the following types of investments:

- Exchange-listed securities

- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Municipal securities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities
- Options contracts on commodities
- Futures contracts on tangibles
- Futures contracts on intangibles
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests
- Interests in partnerships investing in other asset classes

Although CTC's recommended managers will typically utilize the types of investments listed above, the list is not exclusive. Recommended managers may ultimately use other types of investments in a client's portfolio.

CTC's advisory services as described above are tailored to the individual needs of its clients as described above. Client may impose restrictions on investing in certain types of securities.

Other Business Lines

CTC has developed asset allocation software for its own use. In certain circumstances, CTC may license this software to interested parties, including advisory clients.

Amount of Managed Assets

As described above, CTC provides discretionary investment advisory services and nondiscretionary consulting services to its advisory clients. As of December 31, 2011, CTC provided clients with nondiscretionary consulting services on assets totaling over \$23 billion and discretionary investment advisory services on an additional \$581,156,014.

Item 5 Fees and Compensation

CTC charges a fixed fee or a percentage-of-assets fee for its services. CTC's fees are negotiated, based on factors such as:

- The range of services to be provided
- The degree of customization requested by the client
- The complexity of the client relationship
- The number, nature and size of accounts
- The number of client meetings CTC is expected to attend annually.

When a fixed fee applies, CTC and the client determine the total fees for the project or retainer. When a percentage-of-assets fee applies, CTC and the client determine the applicable percentage, which will not exceed 1.5% of the assets in the account.

Fixed fees are paid monthly or quarterly in arrears or in advance on a quarterly basis, as negotiated and approved by the client.

Percentage-of-assets fees are paid quarterly in arrears or in advance on a quarterly basis, as negotiated and approved by the client.

When CTC constructs and monitors a stand-alone customized alternative investment portfolio for a client (i.e., when CTC is providing no other services to the client), the fee schedule for these services is based primarily on the size of the customized portfolio to be developed. The annual fee may be structured as either a percentage-of-assets fee or a fixed fee, with such fee ranging up to 1.5% of the assets in the customized portfolio or a comparable fixed fee. Such fees are negotiable.

If a client terminates its contract with CTC during a month or quarter in which the client has paid fees in advance, the client will receive a pro rata refund of the fees paid for that period.

CTC sends invoices directly to its clients. In the event that a client requests that CTC send its invoices to the client's custodian for payment, CTC will send the original invoice to the custodian while also providing a copy to the client for reference.

CTC generally bills clients separately for CTC's travel and other out-of-pocket expenses, as negotiated and approved by the client.

Fees for CTC Insurance Fund

As investment sub-advisor to SALI Fund Management, LLC, CTC receives from SALI a management fee of 0.25% per annum on the CTC Insurance Fund's Class A shares and 0.75% on the CTC Insurance Fund's Class B shares.

CTC does not typically recommend insurance as part of our advisory services. It is possible, however, that an insurance carrier could present the CTC Insurance Fund as an option to a CTC client. A CTC client who invested in the CTC Insurance Fund through its insurance carrier could pay a fee to CTC Consulting for advisory services as well as a management fee through SALI Fund Management, LLC for the CTC Insurance Fund.

Fees for CTC Madison Fund

As investment sub-advisor to SALI Fund Management, LLC, CTC receives from SALI a management fee on the CTC Madison Fund's assets, as follows:

| <u>Assets</u> | <u>Fee</u> |
|------------------------------|-----------------------|
| \$0 - \$37,500,000 | 0.450% per annum plus |
| \$37,500,001 - \$49,999,999 | 0.420% per annum plus |
| \$50,000,000 - \$100,000,000 | 0.390% per annum plus |
| More than \$100,000,000 | 0.370% per annum |

Fees for BA HF Solutions Funds

The BA HF Solutions Funds offer a multi-class investment structure currently comprised of several classes of equity interests. Only Class C interests are available to qualified clients of CTC.

Class C holders (i.e., qualified CTC clients) pay BACA the following annual investment management fees with respect to BA HF Solutions Hedged Equity Fund and BA HF Solutions International Hedged Equity Fund (payable quarterly in arrears):

| <u>Capital Account</u> | <u>Annual Fee</u> |
|----------------------------------|-------------------|
| On the first \$2 million | 0.625% |
| On the next \$3 million | 0.575% |
| On the next \$5 million | 0.525% |
| On the next \$15 million | 0.450% |
| On assets \$25 million and above | 0.375% |

All interest holders pay BACA an annual investment management fee of 0.30% with respect to the liquidating BA HF Solutions Funds: BA Global Opportunities Hedge Fund, BA Low Volatility Hedge Fund and BA Credit Opportunities Hedge Fund.

BACA pays CTC no portion of BACA's investment management fees for Class C interests. However, because Class C holders are CTC clients, they pay consulting or investment advisory fees to CTC in accordance with their separate client agreements with CTC.

BACA pays CTC a sub-advisory fee of 0.30% on all assets in two of the BA HF Solutions Funds (excluding assets applicable to Class C interests) and 0.20% on all assets in the three liquidating BA HF Solutions Funds (excluding assets applicable to Class C interests).

Fees for Porthos Fund

The Porthos Fund offers a multi-series investment structure comprised of Series A Interests, Series B Interests and Series C Interests. Series A Interests are offered solely to the clients of particular financial advisers designated by Porthos Partners. Series C Interests are offered only to investors who are fee paying direct clients of CTC, as well as members, partners, affiliates and employees of CTC and Porthos Partners. Series B Interests are offered to any investor who is not eligible to purchase Series A Interests or Series C Interests.

Investors in the Porthos Fund pay CTC the following advisory fee (payable quarterly in arrears):

| <u>Porthos Fund</u> | <u>Advisory Fee</u> |
|---------------------|---------------------|
| Series A | 0.75% |
| Series B | 1.25% |
| Series C | None |

Porthos Partners, in its sole discretion, may waive or modify the advisory fees set forth in the table above for certain large or strategic investors and trusts or other entities for their benefit, without entitling such investor or any other investor to any, or any further, waiver or reduction.

Referral Fees Payable by CTC

CTC currently has no referral fee arrangements.

Other Fees

CTC has developed asset allocation software for its own use. In certain circumstances, CTC may license this software to interested parties, including advisory clients. No client is obligated to license any software from CTC.

CTC receives no fees or compensation from a non-client when CTC recommends to its clients that they invest assets with a particular investment manager or in a particular fund. CTC is never compensated by the investment manager or fund manager for such recommendations.

General Information

Investment Manager Fees: All fees paid to CTC for nondiscretionary consulting services and discretionary investment advisory services are separate and distinct from the fees and expenses charged by the investment funds CTC recommends. The investment funds' fees and expenses are

described in each fund's offering documents. Each fund's fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A qualified client could typically invest in a fund directly, without CTC's services. In that case, the client would not receive the services provided by CTC which are designed, among other things, to assist the client in determining which funds are most appropriate to each client's financial condition and objectives. In addition to the fees described above, alternative investment managers typically charge incentive and/or performance-based fees. In all cases, the client should review both the fees charged by the funds and CTC's fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided. Any fee discounts that are negotiated with CTC's recommended fund managers are negotiated on behalf of its clients and benefit the clients investing in those funds.

Additional Fees and Expenses: In addition to CTC's advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Firm Brochure for additional information.

Grandfathering of Minimum Account Requirements: Pre-existing advisory clients are subject to CTC's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, CTC's minimum account requirements will differ among clients.

ERISA Accounts: CTC is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) subject to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, CTC is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, CTC may only charge fees for investment advice about products for which it and/or its related persons do not receive any commissions or 12b-1 fees. CTC receives no commissions or 12b-1 fees from any of the funds CTC recommends.

Advisory Fees in General: Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

Limited Prepayment of Fees: Under no circumstances does CTC require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

Wrap Fees

CTC does not participate in or sponsor any wrap fee programs.

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

CTC does not charge performance-based fees; however, investment managers recommended by CTC may charge performance-based fees. See subheading "Investment Manager Fees" above for additional information.

Item 7 Types of Clients

CTC provides advisory services to the following types of clients:

- High net worth individuals
- Pension and profit sharing plans
- Investment advisers
- Other pooled investment vehicles (e.g., hedge funds)
- Charitable organizations
- Corporations or other businesses not listed above
- State or municipal government entities
- Private and public foundations
- Multi-family offices
- Endowments

CTC typically advises clients who have investable assets of at least \$100 million. Under certain circumstances, however, CTC may advise clients who have less than \$100 million in investable assets.

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

Methods of Analysis

Asset Allocation. A core focus of CTC's advisory services is to recommend an asset allocation appropriate for the investment objectives and risk tolerance of each client. Rather than focusing primarily on securities selection as would an investment manager, CTC works with clients to identify an appropriate ratio of asset classes suitable to each client's needs.

CTC's asset allocation recommendations are informed by its long-term expectations for each asset class, as well as CTC's near-term views, in order to provide tactical recommendations to take advantage of immediate investment opportunities. CTC's Investment Committee, comprised of Senior Consultants and Directors of Research, meets quarterly to determine its view of asset class valuations. CTC uses proprietary asset allocation software to determine the optimal mix of assets for each client.

While CTC recommends that clients diversify across assets classes in order to achieve optimal returns, a risk of asset allocation is that the client might be "underweighted" in a particular asset class and may not participate in sharp increases in a particular market sector. Another risk is that the ratio of asset classes will change over time due to market movements and, if not corrected, will no longer be appropriate for the client's goals.

Investment Manager Selection: Once a client's asset allocation is determined, CTC works closely with that client to recommend investment managers to fill the allocations across asset classes. The process for selecting investment managers combines both in-depth qualitative and quantitative analysis by CTC's research analysts. Examples of the qualitative analysis include strong personal manager incentives, understanding the drivers of the strategy and implementation, risk controls and internal procedures, experience of the manager and overall quality of the management and the organization. Examples of the quantitative analysis include performance history, regression analysis,

financial statements, universe and benchmark comparison, and overall evaluation of risk and reward statistics.

CTC also looks at manager specific risks such as manager skill, manager integrity, quality and depth of the organization, team experience, and outside service providers such as auditors and prime brokers. Multiple interviews with various staff members, an onsite visit and reference checks are also part of CTC's due diligence process.

The process for completing due diligence on an investment manager generally takes between three and six months. The final step in the process is for the research department to present a detailed manager profile to CTC's Investment Committee for approval for investment in client portfolios.

The key risks of the manager selection process are that CTC has misjudged the merits of an investment manager and the manager's ability to repeat the successful execution of that strategy moving forward. CTC might have misunderstood the risks inherent in a certain strategy or incorrectly judged the strength of the recommended firm as a business. In addition, the investment manager recommended by CTC may not perform as well as CTC expected. CTC might also recommend a fund at a time when the investing environment is challenging for that particular strategy. For these reasons and others inherent with investing generally, a client could lose money investing in the funds CTC recommends.

Investment Strategies

CTC recommends investment managers and funds which may use one or more of the following strategies in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, time horizons, and liquidity requirements among other considerations:

Long-term purchases. The investment funds CTC recommends may purchase securities with the idea of holding them in the client's account for a year or longer. Typically CTC recommends this strategy when:

- it believes the securities to be currently undervalued, and/or
- it wants exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, the client may not take advantage of short-term gains that could be profitable to the client. Moreover, if the fund manager's predictions are incorrect, a security may decline sharply in value before the fund manager makes the decision to sell.

Short-term purchases. When utilizing this strategy, investment funds purchase securities with the idea of selling them within a relatively short time (typically a year or less). CTC may recommend funds that use this strategy in an attempt to take advantage of conditions that the fund manager believes will soon result in a price swing in the securities the fund purchases.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; the fund manager is then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

Trading. Certain funds CTC recommends may purchase securities with the idea of selling them very quickly (typically within 30 days or less). They do this in an attempt to take advantage of predictions of brief price swings.

Utilizing a trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize. Moreover, under those circumstances, the fund manager is left with few options:

- having a long-term investment in a security that was designed to be a short-term purchase, or
- the potential of having to taking a loss.

In addition, because this strategy involves more frequent trading than does a longer-term strategy, there will be a resultant increase in brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

Short sales. Fund managers borrow shares of a stock from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, the fund manager buys the same stock and returns the shares to the original owner. Fund managers engage in short selling based on their determination that the stock will go down in price after they have borrowed the shares. If they are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

Short selling results in some unique risks:

1. *Losses can be asymmetric.* A short sale loses when the stock price rises, and a stock is not limited (at least, theoretically) in how high it can go. For example, if a client shorts 100 shares at \$50 each, hoping to make a profit but the shares increase to \$75 per share, the client would lose \$2,500. On the other hand, the price of a stock cannot fall below \$0, which limits the client's potential upside.
2. *Short squeezes can wring out profits.* As stock prices increase, short seller losses also increase as sellers rush to buy the stock to cover their positions. This increase in demand, in turn, further drives the prices up.
3. *Timing.* Even if a fund manager is correct in determining that the price of a stock will decline, the manager runs the risk of incorrectly determining when the decline will take place, i.e., being right too soon. Although a company is overvalued, it could conceivably take some time for the price to come down; during which the client is vulnerable to interest, margin calls, etc.

Option writing. CTC may recommend options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives the client the right to buy an asset at a certain price within a specific period of time. The client would buy a call if it had determined that the stock would increase substantially before

the option expired.

- A put gives the holder the right to sell an asset at a certain price within a specific period of time. A client would buy a put if it had determined that the price of the stock would fall before the option expired.

CTC may recommend options to speculate on the possibility of a sharp price swing. CTC may also recommend options to "hedge" a purchase of the underlying security; in other words, CTC may recommend an option purchase to limit the potential upside and downside of a security purchased for your portfolio.

CTC may recommend "covered calls", in which the client sells an option on a security it owns. In this strategy, the client receives a fee for making the option available, and the person purchasing the option has the right to buy the security from the client at an agreed-upon price.

CTC may recommend a "spreading strategy", in which the client purchases two or more option contracts (for example, a call option that the client buys and a call option that the client sells) for the same underlying security. This effectively puts the client on both sides of the market, but with the ability to vary price, time and other factors.

A risk of covered calls is that the option buyer does not have to exercise the option, so that if the client wants to sell the stock prior to the end of the option agreement, the client has to buy the option back from the option buyer, for a possible loss.

A risk of spreading strategies is that the ability to fully profit from a price swing is limited.

Other strategies. CTC recommends investment managers to its clients. The recommended investment managers typically have discretion over the assets in the client's account with the manager. The investment managers CTC recommends may employ additional strategies which have not been described above.

Risk of Loss. Securities investments are not guaranteed and the client may lose money on its investments. CTC asks that the client work with it to help it understand the client's tolerance for risk.

Item 9 Disciplinary Information

CTC is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of its advisory business or the integrity of its management.

CTC and its management personnel have no reportable disciplinary events to disclose.

Item 10 Other Financial Industry Activities and Affiliations

As noted above, CTC serves as a discretionary sub-advisor to the BA Hedge Fund Solutions funds and is compensated by BACA as referenced. See Item 5 – Fees and Compensation.

CTC also serves as investment adviser to one proprietary fund of funds, the Porthos Fund. In its role as investment adviser, CTC has discretion to make investments on behalf of the Porthos Fund. The Porthos Fund invests in a portfolio of third party, unaffiliated, actively managed unregistered hedge

funds. Detailed information about the Porthos Fund is included in the private offering memorandum for Porthos Fund. Porthos Fund may not be suitable for all qualified clients.

CTC, Porthos Partners and/or their principals may invest in Porthos Fund and, thus, will share in the profits and losses of Porthos Fund. Such investments may create a conflict of interest due to this economic interest and/or other factors.

The CTC Insurance Fund, a series of the SALI Multi-Series Fund, L.P., is a private insurance dedicated fund sub-advised by CTC. CTC serves as sub-advisor to SALI Fund Management, the investment manager of the CTC Insurance Fund. The interests in the CTC Insurance Fund are offered through a confidential private offering memorandum which describes the limited partnerships interests of the fund.

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

CTC does not invest in securities for its own account. Personal securities transactions of CTC's Board of Managers and all other employees, and some independent contractors ("Supervised Persons") are subject to CTC's Code of Ethics (the "Code"). The Code designates as "Access Persons" those Supervised Persons who:

- either have access to nonpublic information regarding clients' purchases or sales of securities; or
- are involved in making securities recommendations or have access to nonpublic information regarding recommendations.

CTC's Chief Compliance Officer administers the Code and the Chief Compliance Officer and/or Compliance Designee monitor Supervised Persons' adherence to the Code.

Under the Code, each Access Person must submit reports, through a financial tracking system, detailing securities beneficially owned by the Access Person and any transactions in securities beneficially owned by the Access Person.

The Code prohibits Access Persons' participation in IPOs and requires the pre-clearance of Access Persons' participation in private placements (in each case, subject to limited exceptions). Access Persons are allowed to trade in Covered Securities (as defined below) only if:

- the trades are made at the same time and on the same terms as a client's trade, or, absent a concurrent client trade, without knowledge of any client trade in the same Covered Securities planned to occur within the immediately following three business days;
- the Access Persons' trades will not reduce the desired investment in such Covered Securities by any client under CTC's Allocation Policy;
- the Covered Securities were not the subject of a recommended sell order for at least three business days prior to the Access Person's trades; and
- the trades are properly reported.

“Covered Securities” means securities included in the portfolio of any current client that are also included on a CTC buy list or that are the subject of a recommended sell order distributed by CTC within the prior three business days.

The Code also prohibits principal transactions (i.e., trading with clients directly, in principal capacity) by all Supervised Persons. In addition, under the Code, no Supervised Person may execute or recommend a transaction in securities while in possession of material, nonpublic information regarding securities or their issuers. Finally, all Supervised Persons in possession of confidential information regarding securities or issuers are prohibited from disclosing such information to anyone. Every Supervised Person is required, on at least an annual basis, to read and acknowledge receipt, understanding and compliance with the Code.

The Code also includes, among other matters:

- the requirement of ethical conduct consistent with CTC’s fiduciary role;
- limitations on Supervised Persons’ ability to maintain outside employment, invest in competitors, or incur personal debt;
- the requirement to safeguard clients’ confidential and sensitive information; and
- the requirement to protect CTC’s assets and ensure their efficient use.

Current and prospective clients may obtain a copy of the Code by contacting Kathryn L. Kameron at (503) 228-4300. A copy of the Code will be provided without charge upon request.

CTC may recommend that qualified clients invest in Porthos. Note, however, that CTC clients who invest in Porthos will hold Series C Interests, which are not subject to a management fee.

CTC may also recommend that qualified clients invest in the BA Hedge Fund Solutions funds, for which CTC receives advisory fees. Note, however, that CTC does not receive advisory fees on the Class C interests in which CTC clients invest.

The principals of CTC may also invest in Porthos, the BA Hedge Fund Solutions funds, and/or the CTC Madison Fund, which may create an additional financial interest.

Item 12 Brokerage Practices

CTC does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

CTC receives daily download software from some custodians that hold assets of CTC clients. This information benefits CTC in that it enables CTC to more quickly and accurately service its clients.

Allocation Policy

CTC has adopted an allocation policy that applies to all investment opportunities offered to CTC clients. The allocation policy applies to CTC’s discretionary and nondiscretionary clients, allocates investment opportunities fairly and equitably among CTC’s clients, and provides consistent treatment of clients with similar investment objectives and guidelines to the extent practicable.

When demand for a particular investment opportunity exceeds the capacity available to CTC's clients, eligible clients that are already invested in that fund or with that investment manager will have the first priority to invest in any new investment opportunity offered by the same fund or manager. This preference recognizes that managers generally prefer their current investors when making subsequent offerings. It also enables clients to more easily limit the number of investments in their portfolios, making their portfolios more manageable.

CTC's allocation policy also gives preferences to CTC's clients whose investment requests in a prior investment opportunity were cut-back under the allocation policy. These preferences make it more difficult for CTC's new clients and for those clients who previously did not request to participate in a particular investment opportunity to participate in the next investment opportunity offered by that particular fund or manager. Although CTC will attempt to leverage its relationship with the manager to obtain capacity for all CTC's clients, such additional capacity will not always be available.

Item 13 Review of Accounts

CTC provides some discretionary investment supervisory or investment management services to clients. In such cases, CTC has discretion to make investment decisions and to retain and terminate managers on behalf of the client. With respect to such accounts, one of CTC's investment consultants reviews each account on either a regular monthly or quarterly basis and also at other times, including when unusual market activity occurs that may affect the account, when a client is subject to a capital call by a manager or at the request of the client (e.g., when the client wants to make contributions to, or withdrawals from, the account, when the client wants to fund a new investment or when the client's investment objectives change). The following employees currently review these accounts for CTC: Garbis Mechigian III, Michael Finan, Curtis Fintel, Stacey Flier, Kristi Hanson, Karen Harding, Mark Thomas, David Upson, Isabelle Campbell and Dan Gimbel.

CTC has not established a maximum number of investment management accounts that can be reviewed by one person, but believes that a person generally will be responsible for no more than 20 accounts.

Clients with investment supervisory and investment management accounts receive quarterly performance reports. Clients invested in the BA HF Solutions Funds and Porthos Fund receive quarterly performance reports, year-end tax information and annual financial statements.

Item 14 Client Referrals and Other Compensation

It is generally CTC's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to CTC.

It is CTC's policy not to accept or allow its related persons to accept compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services CTC provides to its clients.

Item 15 Custody

CTC previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that it may directly debit advisory fees from client accounts if requested to do so.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact CTC directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, CTC also sends performance reports, including account balances, directly to its clients on at least a quarterly basis. CTC urges its clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

CTC does not have physical custody of any client accounts. CTC has constructive custody only for certain accounts in which it has discretionary authority.

Item 16 Investment Discretion

Clients may hire CTC to provide discretionary asset management services, in which case it may make fund purchases for a client's account without contacting the client prior to each purchase to obtain the client's permission.

CTC's discretionary investment authority includes the ability to do the following without contacting the client

- Determine the fund to buy or sell; and/or
- Determine the amount of the fund to buy or sell

Clients give CTC discretionary authority when they sign a discretionary agreement with it, and may limit this authority by giving it written instructions. Clients may also change or amend such limitations by once again providing CTC with written instructions.

Item 17 Voting Client Securities

CTC generally does not have authority to vote proxies for client portfolio securities. However, CTC has authority to vote proxies when it has discretionary authority over client assets and occasionally when serving as a consultant.

Under CTC's proxy voting policy, CTC has a fiduciary duty to act solely in the best interests of the applicable client when exercising proxy voting authority. When CTC has voting authority, it must vote client securities in a timely manner and make voting decisions that are in the best long-term economic

interests of clients. To fulfill its responsibility, CTC has adopted a proxy voting policy that establishes voting guidelines on most issues with respect to which CTC will vote proxies on behalf of its clients. However, because different CTC consultants vote proxies on behalf of different clients, and because some clients' interests may differ from other clients' interests, a consultant voting proxies for certain CTC clients may vote differently on certain issues than other consultants voting on the same issues for other clients.

From time to time, CTC may experience material conflicts of interest with respect to proxy voting. CTC believes that voting in accordance with its pre-determined proxy voting guidelines, which are designed to be in the best interests of its clients, should, in most cases, adequately address any possible conflict of interest. Alternatively, CTC may resolve the conflict by obtaining the client's consent. In cases where CTC has voting authority for securities held by its client in funds managed by CTC, CTC may have a conflict of interest in voting these securities on behalf of its clients, particularly in matters relating to approval of the investment management agreement, advisory or other fees, or mergers and acquisitions. In these circumstances, CTC will: (a) resolve the conflict by obtaining the client's consent; or (b) vote the securities in accordance with the recommendations of an independent third-party voting firm.

A client may obtain, without charge, a copy of CTC's proxy voting policy or information on how CTC voted the securities held by the client by contacting Kathryn L. Kameron at (503) 228-4300.

Item 18 Financial Information

Under no circumstances does CTC require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, CTC is not required to include a balance sheet in this Firm Brochure.

As an advisory firm that maintains discretionary investment authority for certain client accounts, CTC is also required to disclose any financial condition that is reasonable likely to impair CTC's ability to meet its contractual obligations. CTC has no additional financial circumstances to report.

CTC has not been the subject of a bankruptcy petition at any time during the past ten years.