

**FORM ADV**

**Uniform Application for Investment Adviser Registration**

**Part II - Page 1**

Name of Investment Adviser:				
Tieton Capital Management, LLC				
Address:	(Number and Street)	(City)	(State)	(Zip Code)
	4700 Tieton Drive, Suite C	Yakima,	WA	98908
Area Code:		Telephone Number:		
(509)		965-6488		

**This part of Form ADV gives information about the investment adviser and its business for the use of clients.  
The information has not been approved or verified by any governmental authority.**

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(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Applicant:

Tieton Capital Management

SEC File Number:

801- 66657

Date:

Jan. 22, 2010

**1. A. Advisory Services and Fees.** (check the applicable boxes) For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)

**Applicant:**

- ☒ (1) Provides investment supervisory services ..... 100 %
- ☐ (2) Manages investment advisory accounts not involving investment supervisory services ..... %
- ☐ (3) Furnishes investment advice through consultations not included in either service described above. .... %
- ☐ (4) Issues periodicals about securities by subscription ..... %
- ☐ (5) Issues special reports about securities not included in any service described above ..... %
- ☐ (6) Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities ..... %
- ☐ (7) On more than an occasional basis, furnishes advice to clients on matters not involving securities ..... %
- ☐ (8) Provides a timing service ..... %
- ☐ (9) Furnishes advice about securities in any manner not described above ..... %

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B. Does applicant call any of the services it checked above financial planning or some similar term? ..... ☐ Yes ☒ No

C. Applicant offers investment advisory services for: (check all that apply)

- ☒ (1) A percentage of assets under management ☐ (4) Subscription fees
- ☐ (2) Hourly charges ☐ (5) Commissions
- ☐ (3) Fixed fees (not including subscription fees) ☐ (6) Other

D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

**2. Types of clients**—Applicant generally provides investment advice to: (check those that apply)

- ☒ A. Individuals ☒ E. Trusts, estates, or charitable organizations
- ☒ B. Banks or thrift institutions ☒ F. Corporations or business entities other than those listed above
- ☐ C. Investment companies ☐ G. Other (describe on Schedule F)
- ☒ D. Pension and profit sharing plans

**3. Types of Investments.** Applicant offers advice on the following: (check those that apply)

- |   |  |
|---|--|
| <p>A. Equity securities</p> <p><input checked="" type="checkbox"/> (1) exchange-listed securities</p> <p><input checked="" type="checkbox"/> (2) securities traded over-the-counter</p> <p><input type="checkbox"/> (3) foreign issuers</p> <p><input type="checkbox"/> B. Warrants</p> <p><input type="checkbox"/> C. Corporate debt securities<br/>(other than commercial paper)</p> <p><input type="checkbox"/> D. Commercial paper</p> <p><input type="checkbox"/> E. Certificates of deposit</p> <p><input type="checkbox"/> F. Municipal securities</p> <p>G. Investment company securities:</p> <p><input type="checkbox"/> (1) variable life insurance</p> <p><input type="checkbox"/> (2) variable annuities</p> <p><input checked="" type="checkbox"/> (3) mutual fund shares</p> | <p><input type="checkbox"/> H. United States government securities</p> <p>I. Options contracts on:</p> <p><input type="checkbox"/> (1) securities</p> <p><input type="checkbox"/> (2) commodities</p> <p>J. Futures contracts on:</p> <p><input type="checkbox"/> (1) tangibles</p> <p><input type="checkbox"/> (2) intangibles</p> <p>K. Interests in partnerships investing in:</p> <p><input type="checkbox"/> (1) real estate</p> <p><input type="checkbox"/> (2) oil and gas interests</p> <p><input type="checkbox"/> (3) other (explain on Schedule F)</p> <p><input type="checkbox"/> L. Other (explain on Schedule F)</p> |
|---|--|

**4. Methods of Analysis, Sources of Information, and Investment Strategies.**

## A. Applicant's security analysis methods include: (check those that apply)

- |   |  |
|---|--|
| (1) <input type="checkbox"/> Charting               | (4) <input type="checkbox"/> Cyclical                      |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input type="checkbox"/> Other (explain on Schedule F) |
| (3) <input type="checkbox"/> Technical              |  |

## B. The main sources of information applicant uses include: (check those that apply)

- |   |   |
|---|---|
| (1) <input type="checkbox"/> Financial newspapers and magazines             | (5) <input type="checkbox"/> Timing services  |
| (2) <input checked="" type="checkbox"/> Inspections of corporate activities | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the Securities and Exchange Commission |
| (3) <input type="checkbox"/> Research materials prepared by others          | (7) <input checked="" type="checkbox"/> Company press releases  |
| (4) <input type="checkbox"/> Corporate rating services                      | (8) <input type="checkbox"/> Other (explain on Schedule F)  |

## C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- |  |  |
|--|--|
| (1) <input checked="" type="checkbox"/> Long term purchases<br>(securities held at least a year) | (5) <input type="checkbox"/> Margin transactions   |
| (2) <input checked="" type="checkbox"/> Short term purchases<br>(securities sold within a year)  | (6) <input type="checkbox"/> Option writing, including covered options, uncovered options, or spreading strategies |
| (3) <input type="checkbox"/> Trading (securities sold within 30 days)                            | (7) <input type="checkbox"/> Other (explain on Schedule F)   |
| (4) <input type="checkbox"/> Short sales   |  |

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**5. Education and Business Standards.**

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? ..... ☒ Yes ☐ No

(If yes, describe these standards on Schedule F.)

**6. Education and Business Background.**

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

name	formal education after high school
year of birth	business background for the preceding five years

**7. Other Business Activities.** (check those that apply)

- ☐ A. Applicant is actively engaged in a business other than giving investment advice.
- ☐ B. Applicant sells products or services other than investment advice to clients.
- ☐ C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

**8. Other Financial Industry Activities or Affiliations.** (check those that apply)

- ☐ A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- ☐ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
 

<input type="checkbox"/> (1) broker-dealer	<input type="checkbox"/> (7) accounting firm
<input type="checkbox"/> (2) investment company	<input type="checkbox"/> (8) law firm
<input type="checkbox"/> (3) other investment adviser	<input type="checkbox"/> (9) insurance company or agency
<input type="checkbox"/> (4) financial planning firm	<input type="checkbox"/> (10) pension consultant
<input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant	<input type="checkbox"/> (11) real estate broker or dealer
<input type="checkbox"/> (6) banking or thrift institution	<input type="checkbox"/> (12) entity that creates or packages limited partnerships

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

D. Is applicant or a related person a general partner in any partnership in which clients solicited to invest? .....

Yes No

☐ ☒

(If yes, describe on Schedule F the partnerships and what they invest in.)

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**9. Participation or Interest in Client Transactions.**

Applicant or a related person: (check those that apply)

- ☐ A. As principal, buys securities for itself from or sells securities it owns to any client.
- ☐ B. As broker or agent effects securities transactions for compensation for any client.
- ☐ C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- ☒ D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- ☒ E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

- 10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account? ☒ Yes ☐ No

(If yes, describe on Schedule F.)

- 11. Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

Accounts are reviewed initially upon engagement and at least quarterly thereafter. Individual company positions, size of the positions, sector weightings and cash positions are reviewed in client accounts as part of the ongoing investment process. Reviews are done at both the individual account level and at the group level. The review process for all accounts is completed by the Chief Investment Officer and the Senior Research Analyst as a normal part of the day-to-day investment process.

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

Quarterly, client reports are sent and include the following:

- Account appraisal, includes market value and cost basis
- Realized capital gain and loss report
- Performance report, includes quarter-to-date, year-to-date and inception-to-date performance
- Account update letter, including year-to-date performance of relevant indexes (Q1 of each year may exclude index comparison) and clients are asked if circumstances have changed that may require a review of the suitability of their assets managed by Tieton Capital
- Fee notice (invoice if account is not accessed fee directly)

Annually, client reports include the following:

- Tieton Capital offers to send out Form ADV Part II – with the First Quarter report
- Tieton Capital mails the Privacy Policy to clients – with the Second Quarter report

Custodians also deliver periodic account statements at least quarterly to clients.

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**12. Investment or Brokerage Discretion.**

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

(1) securities to be bought or sold? ..... ☒ Yes ☐ No(2) amount of the securities to be bought or sold? ..... ☒ Yes ☐ No(3) broker or dealer to be used? ..... ☒ Yes ☐ No(4) commission rates paid? ..... ☒ Yes ☐ NoB. Does applicant or a related person suggest brokers to clients? ..... ☒ Yes ☐ No

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products services
- whether research is used to service all of applicant's accounts or just those accounts paying for it;
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

**13. Additional Compensation.**

Does the applicant or a related person have any arrangements, oral or in writing, where it:

A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? ..... ☐ Yes ☒ NoB. directly or indirectly compensates any person for client referrals? ..... ☒ Yes ☐ No

(For each yes, describe the arrangements on Schedule F.)

**14. Balance Sheet.** Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities (unless applicant is registered or registering only with the Securities and Exchange Commission); or
- requires prepayment of more than \$500 in fees per client and 6 or more months in advance

Has applicant provided a Schedule G balance sheet? ..... ☐ Yes ☒ No

**Schedule F of  
Form ADV  
Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
Tieton Capital Management	801- 66657	Jan. 22, 2010

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Form ADV:		IRS Empl. Ident. No.:
Tieton Capital Management, LLC		20-2956186
Item of Form (identify)	Answer	
Question 1 A (1) and D Advisory Services and Fees	<p>Tieton Capital Management provides discretionary investment management services for a fee. Tieton Capital's investment philosophy is to own companies with catalysts that are anticipated to increase the value of those businesses. For select clients, no-load mutual funds will also be owned.</p> <p>Fees are 1.00% of account value. Fees are payable quarterly, in advance. In highly unique circumstances, fees are negotiable. Tieton Capital calculates its management fee against all assets in the account, including cash and equivalents.</p> <p>Tieton Capital's services may be terminated in writing at any time. Fees are refunded on a pro rata basis for the number of days in the quarter that services were not provided.</p> <p>Tieton Capital does not issue publications or reports for a fee.</p> <p>Tieton Capital has adopted the CFA Institute Code of Ethics and Standards of Practices as the Tieton Capital Code of Ethics. A copy of which is available upon request. Annually, employees certify that they have read, understand and will comply with the Code of Ethics.</p> <p><b><u>Proxy Voting Policy:</u></b></p> <p>Whether Tieton Capital or the client votes proxies is at the client's determination. When voting proxies, Tieton Capital's utmost concern is that all decisions be made solely in the best interest of the client. Tieton Capital acts in a timely and diligent manner intended to increase the client's wealth. Records of the clients Tieton Capital voted for, the proxies it voted, and how Tieton Capital voted are maintained.</p> <p><b>Responsibility:</b> Tieton Capital's proxy voting committee is ultimately responsible for ensuring that all proxies received by Tieton Capital are voted in a timely manner and in a manner consistent with Tieton's determination of the client's best interest.</p> <p><b>Voting Guidelines:</b> Each proxy issue is considered individually. Tieton Capital follows general guidelines used in voting proposals contained in the proxy statements, but these guidelines are not used as rigid rules.</p> <p>Tieton Capital votes in favor of routine proposals which do not change the structure, bylaws, or operations of the corporation to the detriment of the shareholders. Given the routine nature of these proposals, proxies are normally voted with management. Traditionally, these issues include election of auditors recommended by management, date and place of annual meeting, ratification of directors' actions on routine matters since previous annual meeting, responsible Employee Stock Purchase Plans and establishing reasonable 401(k) Plans.</p> <p>Tieton Capital generally votes against any management proposal that is not deemed to be in the shareholder's best interests. Proposals in this category include issues regarding the issuer's Board entrenchment, anti-takeover measures, and providing cumulative voting rights.</p> <p>Tieton Capital votes other items on a case-by-case basis with the intention to increase the client's wealth.</p> <p>Clients may obtain the proxy voting record upon request.</p>	

**Schedule F of  
Form ADV  
Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
Tieton Capital Management	801- 66657	Jan. 22, 2010

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Form ADV:		IRS Empl. Ident. No.:
Tieton Capital Management, LLC		20-2956186
Item of Form (identify)	Answer	
<u>Question 5</u> Education and Business Standards	Tieton Capital employees giving investment advice have a minimum of a bachelor's degree. In addition to a bachelor's degree, Tieton Capital Investment Team members hold the Chartered Financial Analyst (CFA) designation or are enrolled in the CFA testing program.	
<u>Question 6</u> Education and Business Background	<p>The following information is for those individuals who determine investment advice:</p> <p><b>Name:</b> <b>William Joseph Dezellem, CFA</b></p> <p><b>Year of Birth:</b> 1968</p> <p><b>Formal Education After High School:</b> Central Washington University, Ellensburg, WA BS Business Administration - Finance BS Business Economics Magna Cum Laude</p> <p>CFA Institute Chartered Financial Analyst designation</p> <p><b>Business Background:</b> Tieton Capital Management Yakima, WA June 2005 to Present</p> <p>Davidson Investment Advisors Great Falls, MT January 1998 to May 2005</p> <p><b>Name:</b> <b>Matthew Walter Dhane, CFA</b></p> <p><b>Year of Birth:</b> 1980</p> <p><b>Formal Education After High School:</b> Seattle University, Seattle, WA BA Business Administration - Finance BA Business Administration - Business Economics</p> <p>CFA Institute Chartered Financial Analyst designation</p> <p><b>Business Background:</b> Tieton Capital Management Yakima, WA August 2005 to Present</p> <p>Davidson Investment Advisors Great Falls, MT June 2002 to July 2005</p>	



**Schedule F of  
Form ADV  
Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
Tieton Capital Management	801- 66657	Jan. 22, 2010

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Form ADV:		IRS Empl. Ident. No.:
Tieton Capital Management, LLC		20-2956186
Item of Form (identify)	Answer	
<u>Question 9 D and E</u> Participation or Interest in Client Transactions	<p>Personal trading is allowed by Tieton Capital employees. Pre-approval for personal trades is required. The firm maintains a restricted list of companies that the Investment Team is trading or considering trading. Employees are restricted from trading these companies, even if there is not an actual conflict and only a perceived conflict. Additionally, employees are required to have their custodian send duplicate statements and trade confirmations to the Chief Compliance Officer. Confirmations are matched with the pre-approval record. Another person reviews the transactions of the Chief Compliance Officer.</p>	
<u>Question 10</u> Conditions for Managing Accounts	<p>Minimum account size is \$1,000,000. Exceptions will be made in certain circumstances. Maximum account size is \$50,000,000.</p>	
<u>Question 12 A and B</u> Investment or Brokerage Discretion	<p>Tieton Capital has full discretion of the accounts it manages. However, Tieton Capital does allow clients to place restrictions on the management process based off client specific factors.</p> <p>Clients may choose their own bank or other non-brokerage custodian where Tieton Capital can execute transactions with various trading firms. Other clients are asked to custody with Schwab Institutional allowing Tieton Capital to maintain efficient operations.</p> <p>For those accounts not domiciled at a brokerage firm, Tieton Capital portfolio managers purchase and sell securities with trading firms known for third market or match transactions and a New York Stock Exchange floor broker. In keeping with Tieton Capital's mission, portfolio managers focus on achieving the best trade execution for clients. Commissions paid are at Tieton Capital's discretion and are at institutional rates. Tieton Capital does not pay for any products, research or services from the firms it trades with, nor are these items factors in determining the executing broker. Tieton Capital does not participate in client directed broker or commission recapture programs.</p> <p>When a client designates a custodian other than one suggested by Tieton Capital, higher costs may result than might otherwise be available. In these instances, institutional rates negotiated by Tieton Capital, based on volume, are likely unavailable to the client. Tieton Capital may be further prohibited from executing a transaction with a dealer, specialist or market-maker for particular securities. In these instances, clients are hereby advised that the client is responsible to negotiate their own transaction costs and that Tieton Capital is not doing so.</p>	
<u>Question 13 B</u> Additional Compensation	<p>Tieton Capital has a Relationship Agent (Solicitor) agreement with Columbia Valley Research primarily for a small group of select high net worth clients. Tieton Capital pays Columbia Valley Research 20% of the Tieton Capital fee paid by clients under the agreement. Clients incur no additional cost for working with Columbia Valley Research. There is no difference in the fee schedule for new clients working with Columbia Valley Research and for those working direct with Tieton Capital. Columbia Valley Research and Tieton Capital are not affiliated other than the Relationship Agent agreement described in this paragraph.</p>	