

Tukman Grossman

CAPITAL MANAGEMENT, INC.

60 EAST SIR FRANCIS DRAKE BOULEVARD

LARKSPUR, CALIFORNIA 94939

415.461.6833

WWW.TUKMANGROSSMAN.COM

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This brochure provides information about the qualifications and business practices of Tukman Grossman Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at 415-461-6833. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or any state securities authority.

Additional information about Tukman Grossman Capital Management, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

Tukman Grossman Capital Management, Inc. is an investment advisor registered with the SEC. Registration in itself does not imply a certain level of skill or training.

Item 2: Summary of Material Changes

Effective October 12, 2010, the Securities and Exchange Commission substantially and materially modified the structure and requirements of Part II of Form ADV. Each update of the brochure must now include a summary of all material changes since the last annual update.

There have been no material changes to the substance of the information provided since the last annual update.

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Item 4: Advisory Business

Advisory Firm

Tukman Grossman Capital Management, Inc. (TGCM) has been managing assets since our business was founded in 1980. Located in Larkspur, California, we have earned a national reputation for consistently pursuing a single investment strategy over many years with impressive results. TGCM has kept to this single investment strategy to maximize our core competencies.

TGCM is an independent registered investment advisory firm which is wholly owned by Melvin T. Tukman and Daniel L. Grossman. TGCM is not affiliated with any broker dealer.

Advisory Services

TGCM's investment strategy is centered around managing concentrated portfolios of large capitalization, high quality stocks. Stock selection is based on fundamental, bottom-up, in-depth research. TGCM's focus is on high return on equity, well-managed companies with a dominant market share in strong business areas. These conservatively financed stocks are purchased at favorable price/earnings ratios or on strong earnings expectations.

Tailoring of Advisory Services

TGCM manages its clients' accounts based on its investment strategy and pursuant to an advisory agreement with each client, which may include certain investment guidelines and restrictions imposed by clients.

Wrap Fee Program

Not applicable.

Assets under Management

TGCM uses its discretionary trading authority to buy and sell securities within separately-managed client accounts and investment funds. Assets under management were \$2,184,640,073 as of December 31, 2011 on a fully discretionary basis.

Item 5: Fees and Compensation

Types of Fees

The basic fee schedule is a flat annual rate of 1% on the first \$20 million of assets under management and negotiable on assets thereafter. When related accounts are involved, in special circumstances, or on large accounts, the fee may be negotiated.

Payment Method

Fees are paid semi-annually in advance or quarterly in arrears as set out in the applicable investment advisory agreement. Fees that are charged in advance are initially calculated on the total market value of the assets placed under management determined as of the close of business on the business day preceding the effective date of the investment advisory agreement. Thereafter, the fee is calculated based on the total market value of such assets as determined on the close of business on the last business day of the semi-annual period. Fees that are charged in arrears are calculated on the total market value of the assets in the account on the last business day of the quarter unless agreed upon otherwise in the investment advisory agreement. Fees for new accounts are prorated based on the number of days TGCM managed the assets during such semi-annual or quarterly period.

All client accounts are held by a custodian / trustee independent of TGCM. Generally, clients are billed for our services. In circumstances where TGCM receives its advisory fees directly from a client's account, the following procedures are followed: (i) TGCM obtains written authorization from the client permitting TGCM to receive its fees directly from the client's account, (ii) TGCM sends an invoice to the custodian / trustee and client simultaneously showing the amount of TGCM's fee, the value of the client's assets on which the fee is based, and the manner in which the fee is calculated, and (iii) the custodian / trustee notifies the client in writing, at least quarterly, of all amounts disbursed from the client's account, including amounts paid to TGCM.

The fee schedule may be amended from time to time by TGCM upon sixty (60) days' written notice to client unless otherwise specified in the investment advisory agreement. An investment advisory agreement generally may be terminated by either TGCM or the client upon thirty (30) days' written notice. The client may also terminate the investment advisory agreement without penalty within five (5) business days after the date of signing the agreement by written notice to TGCM. Upon termination during billing cycle, any prepaid fees will be prorated based on the number of days the assets were under management by us and promptly refunded. For clients billed in arrears, any unpaid fees will be due and payable based on assets under management at termination unless otherwise specified in the agreement.

Other Fees

TGCM primarily manages separate accounts on behalf of clients and does not act as a custodian or securities broker-dealer. Clients may incur certain charges imposed by custodians, auditors, brokers and other third parties such as custodial fees, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Those costs will be charged by those service providers directly to the clients. For investors in pooled investment vehicles managed by TGCM (each a "fund"), expenses will be charged in accordance with the relevant fund's governing documents.

Information regarding brokerage costs can be found in Item 12 of this Brochure. Item 12 also describes the factors that TGCM considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

In specific situations, TGCM may invest a portion of a client's funds in money market mutual funds, which are ordinarily those money market funds available through the clients' custodian. In these circumstances, the mutual fund will charge fees and expenses on these assets in addition to the fee paid to TGCM by the client. The mutual fund's fees and expenses are described in the mutual fund's prospectus. A client could invest directly in the mutual fund without the services of TGCM. In that case, the client would not receive the services provided by TGCM with respect to those assets, including TGCM's ability to more efficiently and quickly invest those assets directly in other securities consistent with that client's investment objectives. Accordingly, the client should review the fees charged by both the mutual fund and by TGCM to fully understand the total amount of fees paid by the client and to thereby evaluate the services being provided.

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

We currently do not have any clients that pay performance based fees.

Item 7: Types of Clients

TGCM provides investment advisory services for a variety of clients including pension funds, foundations, endowments, a private fund, other types of "institutional clients," and high net worth individuals.

TGCM requires a \$5,000,000 minimum for new accounts. At its discretion, TGCM may allow new accounts a period of time to meet the minimum account size. When related accounts are involved or under other special circumstances, this minimum may be reduced.

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

TGCM's investment style is to manage concentrated portfolios of large capitalization, high quality stocks. Stock selection is based on fundamental, bottom-up, in-depth research. TGCM's focus is on high return on equity, well-managed companies with a dominant market share in strong business areas. These conservatively financed stocks are purchased at favorable price/earnings ratios or on strong earnings expectations. To accomplish this strategy, TGCM may invest in the following:

- Exchange-listed securities
- Over the counter securities
- Securities of foreign issuers (traded on a US exchange)
- Warrants

- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- United States government securities

As financial markets and products evolve, TGCM may invest in other instruments or securities, whether currently existing or developed in the future, when consistent with client guidelines, objectives and policies. However, TGCM does not employ leverage in its investment style and similarly does not conduct short selling or trade derivatives.

Security Analysis

TGCM's security analysis methods include both fundamental and technical analysis. We utilize a broad range of information, including financial publications, inspections of corporate activities, third party research materials, corporate rating services, annual reports, prospectuses, regulatory filings, company press releases, and meetings with company management.

Security Holding Periods

TGCM employs a range of security holding periods including, long-term purchases (held more than one year), short-term purchases (held less than one year), and trading (held less than 90 days).

Risk of Loss

Investments in securities involve a risk of loss that investors must be prepared to bear. Past performance is not indicative of future results. Material risks may result from concentrated stock and sector selection and general market risks. Additional risks generally associated with investments in equity and fixed income securities are set forth below.

- ***Equity Securities.*** By investing in stocks, TGCM may expose a client account to a sudden decline in the share price or to an overall decline in the stock market. The value of investments held in a client account will fluctuate daily and cyclically based on changes in the issuer's financial condition and prospects and on overall market and economic conditions.
- ***Fixed Income Securities.*** The prices of fixed income securities respond to economic developments, particularly interest rate changes, as well as to perceptions of an issuer's creditworthiness. Generally, fixed income securities decrease in value if interest rates rise and increase in value if interest rates fall, with lower rated securities more volatile than higher rated securities. The duration of these securities affects risk as well, with longer term securities generally more volatile than shorter term securities.

Item 9: Disciplinary Information

TGCM and its management team members have no disciplinary history.

Item 10: Other Financial Industry Activities and Affiliations

TGCM is an independent 100% employee owned company and is not affiliated with any broker-dealer. TGCM has no other financial activities or affiliations which could create conflicts of interest with its clients.

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

Participation or Interest in Client Transactions

TGCM does not act as a principal in client securities transactions by buying or selling securities on its own behalf. In addition, TGCM does not act as a broker in any client securities transactions for compensation.

Code of Ethics

TGCM has adopted a code of ethics (Personal Trading / Confidential Information Policy Statements and Compliance Procedures) in accordance with Rule 17j-1 under the Investment Company Act of 1940, as amended, and Rule 204A-1 under the Advisers Act. The code is designed to prohibit insider trading, maintain client confidentiality, and reduce any conflicts of interest that may exist between TGCM's clients and employees. For example, the code restricts employees of TGCM from executing certain securities transactions to reduce conflicts of interest and requires internal reporting of certain securities holdings and transactions.

A copy of the code of ethics is available to clients and prospective clients upon written request.

Personal Trading

In order to maintain a high code of ethics, TGCM's code of ethics requires that all personal securities trading transactions be carried out in a way that does not endanger the interest of any client. The code of ethics establishes certain black-out periods, pre-clearance procedures and a quarterly securities transaction reporting system that is designed to monitor transactions in employees' personal accounts and prevent any conflicts that may arise between employees' personal securities transactions and transactions for clients of TGCM.

TGCM and/or its employees may purchase stocks for their own account or for the account of TGCM which they do not consider appropriate for clients. TGCM and/or its employees in some cases will personally invest in the same securities that are purchased

for clients and they may own securities of issuers whose securities are subsequently purchased for clients. TGCM and/or its employees cannot purchase or sell securities within seven (7) days before TGCM intends to purchase or sell the same securities for clients and may not purchase or sell securities within three (3) days after clients' purchase or sale of the same securities. With the exception of the aforementioned prohibited transactions, an employee may purchase or sell any securities provided that the employee pre-clears the transaction with TGCM's compliance officer. TGCM is not limited in its ability to purchase or sell securities in a client's account at the client's instruction, whether or not such purchases and sales occur within the seven (7) calendar days after an employee has purchased or sold a security for a personal account, and provided that, at the time such employee executed such transaction, such employee did not know that the client intended to give such instructions.

Item 12: Brokerage Practices

In General

TGCM has a duty to place the interests of its clients above all others and to develop and implement trading decisions that best meet its clients' investment objectives and constraints. Accordingly, TGCM has adopted a best execution policy with regard to its brokerage practices to ensure that TGCM seeks best execution when it places orders for client trades with a broker-dealer on each transaction. Best execution entails the efficient placement of orders, clearance, settlement and overall execution quality as well as the price obtained in the transaction.

During the last fiscal year, TGCM used particular brokers based on each broker's reputation, efficiency of execution and error resolution, financial strength and stability, the size of the transaction and the market for the security, commission rates, and the availability and quality of proprietary research services provided by the broker amongst many factors. TGCM monitors transaction results as orders are executed to evaluate the quality of execution provided by the various brokers-dealers it uses, to determine that compensation rates are competitive and otherwise to evaluate the reasonableness of the compensation paid to those brokers-dealers in light of all the factors described above.

Where TGCM places orders for the execution of portfolio transactions for the client, TGCM may allocate such transactions to such broker-dealers for execution on such markets, at such prices and at such commission rates as in the good faith judgment of TGCM will be in the best interest of the client.

Soft Dollar Practices

In general, TGCM determines commission rates paid and their reasonableness on an ongoing basis. TGCM does not have any agreements to pay for research or related brokerage services as defined in Section 28(e) of the Securities Exchange Act of 1934 with "soft dollars." Some of the broker-dealers used by TGCM provide standard

proprietary research materials which TGCM might take into consideration from time to time in deciding which broker-dealers to use.

For these purposes, “research” means advice, analysis and reports used to provide lawful and appropriate assistance to TGCM in making investment decisions for its clients. During the last fiscal year, TGCM acquired proprietary research reports, much of which it did not request, from broker-dealers about particular companies or industries and general economic data.

As a general matter, TGCM pays a flat commission rate to all broker-dealers regardless of research provided.

Brokerage for Client Referrals

TGCM has no client referral or other business arrangements with broker-dealers or their affiliates for compensation which could lead to a conflict of interest with clients.

Directed Brokerage

As a discretionary investment advisor, TGCM determines which broker-dealer to use for its trading activity on behalf of clients consistent with its best execution policies. When a client directs TGCM to effect transactions for the client’s account through a specified broker (also known as “directed brokerage”), TGCM may trade either directly with such specified broker or indirectly through step-outs. Stepping out a trade involves TGCM instructing the executing broker to allocate a portion of the trade to the client’s specified broker for processing. All such direct and indirect trades through the specified broker are conducted at our standard commission rates. In certain circumstances where TGCM must execute the trade directly through the specified broker rather than using a step-out, the client may not receive best execution with respect to such transactions effected for the client’s account. The client is responsible for negotiating the terms and conditions relating to all services to be provided by such brokers. Any client providing instructions to TGCM regarding direction of brokerage transactions must notify TGCM in writing if the client desires TGCM to cease executing transactions with or through any such broker-dealer.

Trade Allocation and Aggregation

TGCM’s portfolio management professionals generally allocate security trades across all client accounts on a pro-rata basis in each client’s best interest. Such pro-rata allocation is generally based on each client’s concentration level and cash position. Some client accounts may not participate in certain security trades due to client specific investment restrictions or trade aggregation limitations as noted below. Small orders may be allocated on a random basis.

As part of its effort to obtain best execution, TGCM usually aggregates orders for its clients (a practice known as bunching). Generally, each client that participates in a

bunched order will pay or receive the average share price and will be charged a pro-rata portion of the transaction costs on a trade. On smaller orders (generally under 100,000 shares), allocations may be made on a random basis or on the basis of TGCM's good faith judgment based on the relative needs of respective clients, including such factors as cash positions and concentration levels.

Item 13: Review of Accounts

TGCM's portfolio managers review all client accounts on a regular basis. Each account is reviewed by the portfolio administration team both formally and informally at least monthly. Matters such as percentage of equities and cash, industry concentration, and future prospects of each security are noted. The securities held in all accounts are monitored and supervised on a regular basis to ensure compliance with firm and client level investment guidelines. There is no assignment of accounts to any specific manager.

TGCM provides each client with written account reports at least quarterly. These reports show securities and cash held in an account and describe the account's performance for the relevant period.

Item 14: Client Referrals and Other Compensation

TGCM does not pay any third party placement agents or participate in any other compensation arrangements with respect to current or future clients.

Item 15: Custody

TGCM generally manages separate accounts on behalf of its clients and does not have custody of client assets. TGCM does not have any affiliates that act as custodians. Therefore, each client must select a third party qualified custodian to hold its assets. These custodians send statements directly to the client at least quarterly or as directed by the client. In addition, all clients receive a written report containing valuation and detailed performance results from TGCM at least quarterly. Clients should carefully compare the account statements provided by their custodians to the statements provided by TGCM.

TGCM may be deemed to have technical custody of a private fund, but the assets are held at an independent qualified custodian and independent audits are performed.

Item 16: Investment Discretion

TGCM has complete discretion in the investment and reinvestment of the client's assets with full power and authority to make purchases, sales, exchanges, conversions and trades as it deems appropriate. The investment discretion authority is set forth in each client's investment advisory contract. Clients may provide TGCM with written investment guidelines to restrict certain types of investments.

Item 17: Voting Client Securities

As a discretionary investment adviser for its clients, TGCM will make best efforts to vote (except to the extent that (1) a client otherwise instructs TGCM in writing, (2) the client has delegated the right to vote proxies to a third party, or (3) the client's custodian directs proxies to the client or another party) in all matters for which a shareholder vote is solicited by, or with respect to, issuers of securities beneficially held in client accounts. TGCM will vote as TGCM deems appropriate in accordance with its written policies and procedures. These policies and procedures set forth guidelines for voting many typical proxy proposals. However, each proxy issue will be considered individually in order that TGCM may consider in its judgment what would be in the client's best interest. Clients may direct TGCM to vote their individual proxies in accordance with their own written guidelines or instructions. TGCM may limit its role in voting proxies due to insignificant value, client directed securities lending programs, or excessive costs in accordance with its written policies and procedures.

Where a proxy proposal raises a material conflict of interest between the interests of TGCM and its client, TGCM will vote in accordance with its predetermined proxy voting guidelines. To the extent that TGCM does not have specific guidelines with respect to the proposal in question, TGCM will vote in accordance with the recommendations of an independent third party. Clients may obtain a copy of TGCM's proxy voting policies and procedures and/or information on how TGCM has voted the client's securities by written request to TGCM.

There may also be a variety of corporate actions or other matters for which shareholder action is required or solicited and with respect to which TGCM may take action that it deems appropriate in its best judgment except to the extent otherwise required by agreement with the client. These actions may include, for example and without limitation, tender offers or exchanges, bankruptcy proceedings, and class actions.

Item 18: Financial Information

TGCM 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.

Tukman Grossman Capital Management, Inc.

Balance Sheet as of December 31, 2011,
and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

Board of Directors
Tukman Grossman Capital Management, Inc.:

We have audited the accompanying balance sheet of Tukman Grossman Capital Management, Inc. (a Delaware corporation) as of December 31, 2011. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Tukman Grossman Capital Management, Inc. as of December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP

January 25, 2012

TUKMAN GROSSMAN CAPITAL MANAGEMENT, INC.

BALANCE SHEET DECEMBER 31, 2011

ASSETS

CASH	\$ 1,556,042
INVESTMENT ADVISORY FEE RECEIVABLE	2,820,684
FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS (Note 3)	55,655
PREPAID EXPENSES AND OTHER ASSETS	<u>433,065</u>
TOTAL	<u>\$ 4,865,446</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES: — Accrued liabilities	\$ 3,294,761
SHAREHOLDERS' EQUITY:	
Common stock, no par value — authorized, 10,000 shares; issued and outstanding, 1,000 shares	25,000
Retained earnings	<u>1,545,685</u>
Total shareholders' equity	<u>1,570,685</u>
TOTAL	<u>\$ 4,865,446</u>

The accompanying notes are an integral part of this balance sheet.

TUKMAN GROSSMAN CAPITAL MANAGEMENT, INC.

NOTES TO BALANCE SHEET DECEMBER 31, 2011

1. THE COMPANY

Tukman Grossman Capital Management, Inc. (the “Company,”) was incorporated on May 7, 1980 and began business on July 1, 1980. The Company is an investment advisor registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. The Company provides investment advisory services for certain pension funds, foundations, endowments, registered investment companies and individuals. The Company accrues advisory fees in accordance with the individual advisory agreements for financial statement purposes.

2. BASIS OF ACCOUNTING AND USE OF ESTIMATES

The Company uses the accrual method of accounting for financial statement purposes. The preparation of the balance sheet in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates.

3. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Furniture, equipment, and leasehold improvements are stated at cost, net of accumulated depreciation and amortization of \$543,761. Fixed assets are depreciated over three to seven years using the double-declining balance or straight-line method. Leasehold improvements are amortized over the lease term.

4. ACCRUED LIABILITIES

At December 31, 2011, accrued liabilities consist of accrued compensation and deferred rent of \$3,294,761.

5. INCOME TAXES

The guidance for uncertainty in income taxes included in FASB ASC 740 *Income Taxes*, as amended requires the Company to determine whether its tax positions will more likely than not be sustained upon examination by the applicable taxing authority, including the resolution of any related appeals or litigation processes, based on the technical merits of the position. Based on management’s review of the Company’s tax positions, no reserves for uncertain tax positions were required to be recorded.

6. COMMITMENT

The Company rents office space under an operating lease, which expires on December 31, 2016. Future minimum lease payments under this lease are as follows:

Fiscal Year Ending	Operating Leases
2012	\$ 166,887
2013	171,893
2014	177,043
2015	182,366
2016	<u>187,842</u>
Total	<u>\$ 886,031</u>

7. SUBSEQUENT EVENTS

The Company evaluated subsequent events through January 25, 2012 (the date the financial statement was available to be issued) and did not identify any significant events that warrant additional disclosure.

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