

Item 1 – Cover Page

Capital Investment Counsel, Inc.
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July 11, 2012

Form ADV, Part 2A, the “Disclosure Brochure” as required by the Investment Advisers Act of 1940, is a very important document between Clients and Capital Investment Counsel, Inc. (“CIC”). This Disclosure Brochure provides information about our qualifications and business practices.

This Disclosure Brochure provides information about the qualifications and business practices of Capital Investment Counsel, Inc. If you have any questions about the contents of this Disclosure Brochure, please contact us at 800-756-9008 or 303-329-9000. The information in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any State Securities Authority.

Additional information about Capital Investment Counsel, Inc. is available at the SEC’s website www.adviserinfo.sec.gov (click on the link, select “investment adviser firm” and type in our firm name). Results will provide you both Part 1 and 2 of our Form ADV.

CIC is a registered investment adviser with the Securities and Exchange Commission. CIC’s registration as an investment adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Disclosure Brochure, is information you use to evaluate CIC (and other advisers) which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship.

Item 2 – Material Changes

What is in this Current Brochure

This March 30, 2012 version of the Capital Investment Counsel, Inc.’s Part 2A Disclosure Program Brochure (the “March 2012 Updated Disclosure Brochure”) updates, amends and replaces the Part 2A Disclosure Brochure dated March 31, 2011 (the “March 2011 Program Brochure”). The March 2011 Program Brochure was the “initial” filing of what is regarded as “The New Part 2A” and replaced our previous disclosure brochure known as the Form ADV Part II (the “Old Part II”). The March 2011 Disclosure Brochure was developed in response to new requirements adopted and imposed by the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940 (IA Act) and, as a result, was brand new and was substantially different from previous versions and includes disclosures not specifically required by the Old Part II.

Summary of Material Changes to March 2011 Program Brochure

The material changes to the March 2011 Disclosure Brochure that appear in this March 2012 Updated Disclosure Brochure are summarized below:

- We have updated the information concerning the amount of assets we manage on page 7 under “**The Assets We Manage.**”
- We have included information in the attached Disclosure Brochure Supplement relating to Christopher Palermo and Landen Lunsway and omitted information regarding Shelly Schell (who is no longer with Capital Investment Counsel, Inc.)

The above summary does not describe any changes to the March 2011 Program Brochure that appear in this March 2012 Updated Program Brochure unless those changes were “material changes.”

How to Obtain a Current Brochure

If you would like another copy of this Disclosure Brochure, please download it from the SEC Website as indicated above or you may contact Disclosure Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer, Sharon Gaare at 303-329-9000 or Sharon@cicinvestments.com.

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Item 4 – Advisory Business

Capital Investment Counsel, Inc., (CIC and sometimes referred to herein as “us” or “we” or “our” as appropriate) was established in 1990. In 2007, CIC was acquired by Compass Bank, which became CIC’s sole shareholder. Compass Bank is a state-chartered banking institution. In 2007, Compass Bank’s parent company was acquired by Banco Bilbao Vizcaya Argentaria, S.A., a publicly-traded multi-national banking organization based in Spain that does business under the name “BBVA.” CIC offers investment advisory services for fee based only accounts. In addition to providing investment advisory services, CIC will, from time to time, provide financial planning services. We do not offer tax or legal advisory services. You should seek outside counsel for these services.

- **Individual Issue Management**

Individual issue management decisions are based upon the client's individual, well defined, specific investment objective, financial situation, and risk tolerance. CIC purchases stocks, ETF's, mutual funds and bonds for its clients and may purchase ADRs (American Depositary Receipt). The fixed income instruments that CIC purchases for clients are typically of intermediate term duration and may be ladder for different maturity dates. CIC may also invest a client's funds in a money market fund. Under certain limited circumstances, CIC may take positions for certain clients' portfolios that are contrary to positions CIC takes for other clients' portfolios because of differences in investment objectives. CIC is able to tailor portfolio holdings to an individual client's need.

- **Mutual Fund Management**

CIC offers mutual fund asset allocation services. CIC typically invests client's assets into different equity mutual funds including: small cap funds, mid-cap funds, large cap value funds, large cap growth funds, and international funds. For clients whose investment objective also includes fixed income investments, CIC invests the clients' assets into short and intermediate term individual issue bonds or bond mutual funds.

Special Needs/Restrictions

If a client has a special need/restriction that is to be held outside of CIC's model portfolios, this will be considered an Unsupervised Asset. The Investment Management Agreement contains language to relieve CIC from supervisory responsibility for the Unsupervised Assets in the account and any services performed regarding these assets are as a courtesy only.

- **Financial Planning**

The fees for financial planning services are negotiable and are charged depending on the need of the client at either a set rate or an hourly rate. CIC provides some

financial planning services free of charge to existing clients upon request and to new clients who agree to hire CIC as investment manager.

The scope of the financial plan is decided upon between the client and CIC and may include, among others, development of investment objectives, asset allocation analyses, cash flow analyses, retirement planning, college education funding planning, insurance planning and tax planning to meet the client's goals and objectives. Financial planning services terminate upon delivery of the financial plan.

Assets Under Management

As of December 31, 2011, CIC had \$1,873,269,360 under management, of which \$1,871,102,211 was discretionary, and \$2,167,149 was non-discretionary.

Item 5 – Fees and Compensation

ANNUAL FEES FOR INVESTMENT ADVISING ACCOUNTS

BALANCED AND EQUITY ACCOUNTS FOR INDIVIDUAL ISSUE AND MUTUAL FUND MANAGEMENT

1.00% for account balances up to \$1 million
.85% for account balances over \$1 million up to \$2 million
.75% for account balances over \$2 million up to \$5 million
.50% for account balances over \$5 million

FIXED INCOME ACCOUNTS

.75% for account balances up to \$2 million
.50% for account balances over \$2 million up to \$5 million
.25% for account balances over \$5 million

Fees are payable quarterly in advance and are prorated to date of termination, with unearned prepaid fees being refunded to the client. Fees are calculated using the last trading day of each quarter end.

Fees are negotiable. CIC may choose not to charge a fee to manage the accounts of employees, their families, and solicitors. CIC, in its sole discretion, may waive its fee for certain small accounts related to larger accounts, charities, and/or persons who refer clients to CIC and anyone else deemed appropriate by CIC.

Under some circumstances with client consent, fees may be higher than CIC's standard fee schedule.

Financial Planning

The fees for financial planning services are negotiable and are charged depending on the need of the client at either a set rate or an hourly rate. CIC provides some financial planning services free of charge to existing clients upon request and to new clients who agree to hire CIC as investment manager.

Either party may terminate the agreement a client has with CIC at any time. Fees will be prorated to date of termination and any unearned portion of prepaid fees will be refunded to the client.

CIC may offer advice regarding private investment partnerships, and private investment funds organized as limited liability companies.

Fee Payment Options

As indicated in our advisory agreement with you, there are two options you may select to pay for our services:

- Direct debiting (preferred): Direct debiting authorizes CIC's management fee to be deducted quarterly in advance from the client's account at the Custodian. CIC will calculate the management fee and deliver it to the Custodian. Client shall instruct the custodian to send the client a statement at least quarterly listing the amount of funds and each security in the account, and all transactions and fees deducted from the Account during the preceding quarter.
- Pay-by-check: Client can choose to pay-by-check. CIC will issue the client an invoice at the end of each quarter for the upcoming quarter services. Payment can be made by check, automatic deposit, or wire.

Additional Fees and Expenses:

Advisory fees payable to CIC do not include all the fees you will pay when we purchase or sell securities for your Account(s). The following list of fees or expenses are what you may pay directly to third parties, whether a security is being purchased, sold or held in your Account(s) under our management.

We do not receive, directly or indirectly any of these fees charged to you. They are paid to your broker, custodian or the mutual fund or other investment you hold. The fees include:

- Brokerage commissions;
- Transaction fees;
- Exchange fees;
- SEC fees;
- Advisory fees and administrative fees charged by Mutual Funds (MF), Exchange Traded Funds (ETFs)
- Advisory fees charged by sub-advisers (if any are used for your account);
- Custodial Fees;
- Deferred sales charges (on MF or annuities);
- Odd-Lot differentials;
- Deferred sales charges (charged by MFs);
- Transfer taxes;
- Wire transfer and electronic fund processing fees;
- Commissions or mark-ups / mark-downs on security transactions ;
- Among others that may be incurred.

In addition, CIC does not have or employ any "Employee" at all that receives (directly or indirectly) any compensation from the sale of securities or investments that are purchased or sold for your account or to which CIC provides consulting expertise / services.

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

CIC does not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance based fees). Our advisory fee compensation is charged only as disclosed above (Item 5).

Item 7 – Types of Clients

To establish an investment management account with us, you must designate a third-party custodian acceptable to us and open an account with that third-party custodian.

We provide our services to a number of Clients:

- Individuals, including high net worth individuals
- Trusts, estates and charitable organizations
- Corporations or other business entities
- Pension and profit sharing plans
- Banks or thrift institutions

MINIMUM ACCOUNT SIZE

The minimum size account is \$500,000, but the minimum may be waived at the discretion of CIC.

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

Analysis: CIC manages equities using four separate and complimentary investment strategies. Investment decisions are delegated to those on the Investment Committee which are Brian McDowell, Bob Bush, Matt Henderson, Rich Romlin, Clark Johnson, Tom Hackett and Brian Coughlan.

Investment Strategies Equity:

- **Core Investment** – A broad diversified strategy that has exposure to large, mid and small-cap stocks, and also includes international market exposure.
- **Dividend** – Focuses on buying a diversified portfolio of income generating stocks.
- **Asset Allocation** – Asset allocation strategy dedicates a portion of the assets to stocks, bonds, commodities and real estate using exchange traded funds (ETFs) and mutual funds.
- **Tactical** – Seeks to capitalize on the intermediate term trends in the stock market by detecting when buying exhaustion occurs on the upside and selling has run its course on the downside.

Investment Strategies Fixed Income:

Our targeted strategies: Taxable Bonds, Municipal Bonds, Short-Term Cash Management all focus on providing higher returns through active management of two components of a bond portfolio – principal and income. Two advantages of active Institutional Fixed Income Management, rather than the traditional “buy and hold to maturity” are the buying power in purchasing larger blocks of bonds which allows for negotiation of costs, and not being tied to only one brokerage firm which gives CIC the ability to shop for the best prices.

Risk of Loss:

Our investment approach keeps the potential of risk of loss in mind and seeks to match the investment strategy employed for each client with their tolerance for potential fluctuations in markets and incurring losses. Generally, it is necessary to invest in securities that have a higher risk of loss in order to obtain a higher potential for long-term gains. There is no guarantee that our investment strategies will meet your objectives or, in any event, protect your assets from the potential for losses. Depending on the types of securities you invest in, you may face the following investment risks:

- **Interest-Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Liquidity Risk:** When consistent with a client's investment objectives, guidelines, restrictions and risk tolerances, Advisor may invest portions of Client portfolios in illiquid securities, subject to applicable investment standards. Investing in an illiquid (difficult to trade) security may restrict its ability to dispose of investments in a timely fashion or at an advantageous price, which may limit the ability to take full advantage of market opportunities.
- **Accounts may hold securities which are partnerships:** Some partnerships are relatively liquid and may be either exchange listed or traded over-the-counter. However, most partnership securities are often illiquid and are subject to significantly less regulation than public investments.
- **Fixed Income Risks:** Portfolios that invest in fixed income securities are subject to several general risks, including interest rate risk, credit risk, and market risk, which could reduce the yield that an investor receives from his or her portfolio. These risks may occur

from fluctuations in interest rates, a change to an issuer's individual situation or industry, or events in the financial markets.

- **Foreign, Emerging Markets Equity and Fixed Income Risk:** Investments in these types of securities have considerable risks: investments in securities of foreign and emerging markets issuers involve different investment risks than those affecting obligations of U.S. issuers. Public information may be limited with respect to foreign and emerging markets issuers; foreign and emerging markets issuers may not be subject to uniform accounting, auditing and financial standards and requirements comparable to those applicable to U.S. companies. There may also be less government supervision and regulation of foreign and emerging markets securities exchanges, and are less liquid and more volatile than securities of comparable domestic issuers. Brokerage commissions and other transaction costs on foreign and emerging markets securities exchanges are generally higher than in the U.S. Dividends and interest paid by foreign and emerging markets issuers may be subject to withholding and other foreign taxes, which may decrease the net return on foreign investments as compared to dividends and interest paid by U.S. companies. Such markets often have different clearance and settlement procedures for securities transactions. Additional risks include future political and economic developments, the possibility that a foreign jurisdiction might impose or change withholding taxes on income payable with respect to foreign and emerging markets securities, and the possible adoption of foreign governmental restrictions such as exchange controls. Since the securities purchased in a foreign or emerging markets portfolio can be denominated or quoted in currencies other than the U.S. dollar, changes in foreign currency exchange rates may affect the value of securities in the portfolio.
- **High-Yield Fixed-Income Securities Risk:** Investments in high-yielding, non-investment grade bonds involve higher risk than investment grade bonds. Adverse conditions may affect the issuer's ability to make timely interest and principal payments on these securities.
- **Structured Products Risk:** These products often involve a significant amount of risk and should only be offered to Clients who have carefully read and considered the product's offering documents, as they are often times based on derivatives. Structured products are intended to be "buy and hold" investments and are not liquid instruments.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose in their Disclosure Brochures all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of the advisory firm or the integrity of its management. We have no such material events to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

Banking Activities

We are a wholly owned subsidiary of Compass Bank. We have various arrangements with Compass Bank under which Compass Bank may refer certain of its clients to us for investment management services. We also provide investment management support and model portfolio recommendations to Compass Bank for Compass Bank's use in the management of certain investment accounts. You may designate Compass Bank as custodian of your account(s) maintained with us.

Affiliate Arrangements

We may purchase certain goods and services or obtain administrative, custody, safekeeping and operational support from our direct parent company, Compass Bank or other affiliates of Banco Bilbao Vizcaya Argentaria, S.A. by entering into agreements or arrangements with such affiliate. If deemed appropriate under the circumstances or required under banking laws, we will pay compensation to our affiliates for such goods, services or support. If Compass Bank provides us with goods and services, banking laws generally require that we provide Compass Bank compensation that is at least as favorable to Compass Bank as the compensation we would pay an unaffiliated third party for similar goods and services in an arms-length transaction.

Item 11 – Participation or Interest in Client Transactions

We are a wholly owned, direct subsidiary of Compass Bank, the lead bank subsidiary of Compass Bancshares, Inc., an Alabama bank holding company, and an indirect subsidiary of Banco Bilbao Vizcaya Argentaria, S.A. (“BBVA”), a bank organized under the laws of Spain qualified to engage in business in the United States as a bank holding company and foreign banking organization. BBVA, Compass Bank and their affiliates may have a variety of banking, financial or service relationships with corporations or other business enterprises the securities of which may be purchased or sold by us for its clients’ accounts. BBVA, Compass Bank or their affiliates may receive compensation from such corporations or other business enterprises in the ordinary course of their business. Because of internal controls maintained by BBVA, Compass Bank and us in order to minimize any potential conflict of interest created by these relationships, recommendations to our advisory clients typically will be made without knowledge of other banking, financial or services relationships between BBVA, Compass Bank or their affiliates and the issuers of securities recommended by us.

BBVA Compass Wealth Management, a division of Compass Bank (our parent company), may purchase or sell for trust, fiduciary, and investment management clients or recommend that such accounts purchase or sell securities of the same type as those purchased or sold by us for our clients’ accounts.

While we do not act as a principal in the purchase or sale of any securities, with a client or otherwise, our parent company (Compass Bank), is a municipal securities dealer and may be involved, as principal, in the underwriting, placement and distribution of municipal securities. It is possible that we may recommend or purchase municipal security underwritten, placed or distributed by Compass Bank. In addition, our affiliate, BBVA Securities, Inc., is a registered broker-dealer that engages in a wide range investment banking activities, including underwriting, placement and distribution of corporate and municipal securities. It is possible that we may recommend or purchase a corporate security or municipal security underwritten, placed or distributed by BBVA Securities, Inc.

We, BBVA, Compass Bank and their affiliates maintain policies and procedures for ensuring that any material, non-public information regarding publicly traded securities that we or our employees may obtain, including by virtue of banking and other relationships any such issuer may have with us, BBVA, Compass Bank or their affiliates is not misused in violation of applicable law.

Assets of client accounts that are invested in mutual funds, ETFs and similar funds are subject to advisory and other fees and expenses, as set forth in the applicable fund prospectus, and although such fee and expenses typically are paid by the fund, they reduce the overall return realized by the investor. Furthermore, assets of a client’s account invested in shares of funds, including money market mutual funds, or other short-term investment vehicles, will be included in calculating the value of the account for purposes of computing our investment management services fees.

Proprietary Accounts

Certain of our officers and employees are considered “Access Persons” under our Code of Ethics. Access Persons must pre-clear all personal securities transactions except 1) transactions effected pursuant to an automatic investment plan, 2) securities transactions for accounts over which the Access Person has no direct or indirect influence or control, and 3) trades in U.S. Government Securities, U.S. Agency Securities, mutual funds and money market funds. The pre-clearance policy sets forth the criteria which may result in a denial of such pre-clearance requests.

The following persons are considered “Access Persons”:

- All officers and employees of the firm.

In addition, the Code of Ethics places restrictions on officer and employee personal securities transactions including:

- a prohibition on purchases of initial public offerings and limited offerings,
- prohibitions on transactions in the same security as clients at the same time of day, and
- a requirement for officers and employees to obtain prior approval on most of their personal securities transactions.

Specifically, the Code of Ethics prohibits officers and employees from purchasing or selling any security that is being purchased or sold for CIC clients' accounts, except government securities and open-end mutual funds, until all transactions in such a security for CIC clients have been completed. However, employees may trade in the same security on the same day once clients' transactions are completed. Therefore, it is possible that CIC's employees may receive a more favorable price than clients for the same security on the same day.

CIC's Code of Ethics also includes:

- Requirements related to the confidentiality of the client
- Prohibitions on:
 - Insider trading (if we are in possession of material, non-public information);
 - Rumor mongering;
 - The acceptance of gifts and entertainment that exceed our policy standards;
- Reporting of gifts;
- Pre-clearance of employee and firm transactions;
- Reporting (on an on-going and quarterly basis) all personal securities transactions (what we call “reportable securities” as mandated by regulation); and,
- On an annual basis, we require all employees to re-certify to our Code, identify members of their household and any account to which they have a beneficial ownership (they “own” the account or have “authority” over the account), securities held in certificate form and all securities they own at that time.

CIC will provide any client or prospective client a copy of the Code of Ethics upon request. Requests should be directed to the Chief Compliance Officer, Sharon Gaare by calling 303-329-9000 or emailing Sharon@cicinvestments.com. Sharon@cicinvestments.com.

Item 12 – Brokerage Practices

Rotational Procedures

CIC employs a rotation method in executing and allocating trades. Since we deal with different brokers and have different custodians for our accounts, it is not possible to execute each trade simultaneously. For each trade, we schedule and separate by custodian. When trading, we rotate through the custodians ensuring that no particular account or custodian is favored. If necessary, we also rotate accounts within each custodian. When it is not possible to aggregate orders with a custodian, an account rotation method is used to assure equitable and fair trade execution among clients. CIC believes this provides CIC's clients fair access to investment opportunities over a reasonable time period.

Block Trading Procedures

Our firm's policy is to aggregate client transactions where possible and when possible for clients. In these instances clients participating in any aggregated transactions will receive an average share price. Transaction costs may vary due to custodial arrangements. CIC's policy prohibits any allocation of trades in a manner that the firm's proprietary accounts, affiliated accounts, or any particular client(s) or group of clients receive more favorable treatment than other client accounts. The Firm has adopted a clear written policy which is outlined in the firm's Operations Manual for the fair and equitable allocation of transactions (pro-rata allocation) which is disclosed in CIC's Disclosure Document.

Client Directed Brokerage

CIC has relationships with consultants at various broker/dealers who refer their clients to CIC for investment management. If a client is referred to CIC by a broker and the client wants to retain that broker, CIC may direct all of that client's brokerage to the referring broker (a "referring broker"). Clients frequently use brokers as custodians of their portfolios in order to receive other services such as portfolio monitoring. In these cases, the client may pay a higher commission than if CIC had discretion to choose a broker.

In placing orders for accounts, it is CIC's policy to attempt to obtain the best net price considering both the execution price and the commission rate paid. At times CIC has to place more than one order to fill all orders in an aggregated transaction. In this situation, whenever possible, each client in the aggregate transaction receives the average price paid for all orders placed.

CIC will attempt to negotiate commissions on behalf of all clients with all brokers including a referring broker. However, CIC has a potential conflict of interest in negotiating commissions with a referring broker and limited ability to negotiate commission discounts with a referring broker. As a result, CIC may request that a client approve agreed upon commission discounts.

Furthermore, CIC may not be able to obtain volume discounts or best execution when a referring broker is used to execute transactions for a client. As result, a client with a referring broker may pay higher brokerage commissions on securities transactions than we might be able to negotiate with another brokerage firm and higher brokerage commissions than CIC's other clients pay.

On occasion, clients request that their account be held at a broker-dealer. If they do not currently have a broker-dealer and want CIC to recommend one, CIC may recommend Charles Schwab (Schwab), a registered broker-dealer, Member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Schwab Institutional provides CIC with access to its institutional trading and operations service, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors at no charge to them so long as a total of at least \$10 million of the advisor's clients' account assets are maintained at Schwab Institutional. Schwab Institutional services include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment.

Research and Other Soft Dollar Benefits

Schwab Institutional makes available to CIC other products and services that benefit CIC but may not benefit its clients' accounts. Some of these other products and services assist CIC in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of CIC's fees from its clients' accounts, and assist with back-office support, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of CIC's accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional may also provide CIC with other services intended to help CIC manage and further develop its business enterprise. These services may include consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services to CIC by independent third-parties. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to CIC. The choice of the broker is the client's. However, the client may pay a higher commission than if CIC had the discretion to choose a broker for each transaction.

The undirected trading transactions are placed with Charles Schwab. CIC has an arrangement with Schwab to provide it with research in exchange for brokerage commissions. As a result, clients may pay higher commissions than might otherwise be available. The research information enters into CIC's investment judgment in connection with all discretionary clients.

During the year ending December 31, 2011, CIC had soft dollar arrangements whereby it directed commissions to Charles Schwab as described below. CIC will continue its arrangement with Charles Schwab and may add other arrangements or remove existing arrangements. CIC received soft dollars from Schwab towards the purchase price of Bloomberg, Ned Davis Research, Daily Equity Technical, Bond Research reports, Baseline Services, and Wolfe Research.

Principal Trading

It is CIC's policy and practice to NOT engage in any principal transactions and our firm's policy is appropriately disclosed in our Form ADV/Disclosure Document.

Cross Transactions

As CIC is not a broker dealer, we cannot execute agency cross transactions in client accounts. From time to time, when a situation presents itself where one client would like to sell a bond (i.e. an account liquidation) and another needs to purchase an identical bond (i.e. a new account relationship), CIC will ask the custodian to execute a cross transaction between the client accounts. The custodian is solely responsible for setting the prices that this bond will cross at. Once established, CIC reviews the prices to make sure the prices are fair to each party and that only a minimal spread is included as the transaction cost.

Item 13 – Review of Accounts

Review of Accounts

Reviews of individual accounts are conducted at least monthly and more frequent reviews are triggered by researching a specific security and/or a strategic change in asset allocation. All accounts are reviewed by their specific Portfolio Manager who maintains the relationship and meets the needs of the client. Portfolio Managers serve as secondary members of the investment committee.

The reviewers are:

Christian K. Johnson, Jr. (CEO), Clark D. Johnson (Senior Vice President), Thomas R. Hackett (Senior Vice President), Stephen J. Dreiling (President), Robert G. Bush, (Director of Fixed Income), Elizabeth (Kathy) Raabe (Portfolio Manager), Jason Rosener (Vice President), Brian McDowell (Director of Research and Trading), Matt Henderson (Portfolio Manager), Andrew Reinhardt (Portfolio Manager), Larry Hilton (Portfolio Manager), Matt Blake (Portfolio Manager), Lisa Schwinghammer (Portfolio Manager), Landen Lunsway (Portfolio Manager) Christopher Palermo (Portfolio Manager) and/or Brian Coughlan (Portfolio Manager).

Each investment management client receives, at least annually and as frequently requested, an appraisal of the account reflecting diversification, current market value, cost basis, indicated income, and current yield. We annually provide a capital gain/loss summary.

Clients will receive periodic statements from their designated custodian showing all transactions that occurred in their account during the period covered by the account statement, and any fees paid by their account during the period as well as a list identifying all assets in their account at the end of the period. Clients will receive these periodic statements on a quarterly basis and for any month in which transactions occur in their account.

Item 14 – Client Referrals and Other Compensation

SOLICITOR AGREEMENTS

CIC has entered into solicitor's agreements with individuals and firms to refer clients to CIC in compliance with Rule 206(4)-3 under the Investment Advisors Act of 1940. Pursuant to these arrangements, such persons will be paid a fee for referring a client. The amount of the fee is disclosed to the affected clients.

Affiliated and non-Affiliated Solicitors Referring Investment Management Clients to CIC. We maintain agreements with our affiliated company, Compass Bank and non-affiliated companies or individuals which solicit investment management clients on behalf of CIC. Under the terms of the Compass Bank agreement, they (and not us) will pay the solicitors a fixed fee or an amount that is a stated percentage of the advisory services fees paid by the client to CIC over a designated period of time. Under the terms of the non-affiliated agreement, CIC will pay the solicitor an amount that is a stated percentage of the advisory service fee over a designated period of time. As a condition to receiving referral compensation, each solicitor is required to provide a written disclosure to prospective clients regarding the referral agreement and the fee paid to the solicitor. Under no circumstances will the payment of referral fees to an affiliated or non-affiliated solicitor cause our clients to incur any additional fees or charges. We have the sole discretion to accept, or decline, any prospective client relationship referred by any affiliated or non-affiliated solicitor.

SIGFIG Wealth Management LLC ("SIG FIG"). CIC receives client referrals from SIGFIG. The service is designed to help investors find an independent advisor. SIGFIG is independent of and unaffiliated with CIC. SIGFIG does not supervise CIC and has no responsibility for CIC's management of clients' portfolios or CIC's other advice or services. CIC pays SIGFIG a fee of 20% of any advisory or management fees received by CIC from any client referred by SIGFIG, for the life of CIC's relationship with the client. The 20% fee is paid by CIC, not the client.

Schwab Referring Investment Management Clients to CIC. CIC receives client referrals from Charles Schwab & Co. Inc. ("Schwab") through CIC's participation in Schwab Advisor Network ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with CIC. Schwab does not supervise CIC and has no responsibility for CIC's management of clients' portfolios or CIC's other advice or services. CIC pays Schwab fees to receive client referrals through the Service. CIC's participation in the Service may raise potential conflicts of interest described below:

CIC pays Schwab Participation Fees on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. Participation Fees, paid by CIC, is a percentage of the value of the assets in the client's account. CIC pays Schwab Participation Fee for so long as the referred client's account remains in custody at Schwab. Participation Fees are billed to CIC quarterly and may be increased, decreased, or waived by Schwab from time to time. Participation Fees are paid by CIC and not by the client. CIC does not charge clients referred through the Service fees or costs greater than the fees or costs CIC charges clients with similar portfolios who were not referred through the Service.

CIC generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees CIC generally would pay in a single year. Thus, CIC will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of CIC's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, CIC will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and instruct Schwab to debit CIC's fees directly from the accounts.

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

Insurance Services Referrals. The Investment Adviser may have the opportunity to refer a client to an affiliate or non-affiliate that offers insurance products and services. For products and services purchased, both CIC and an affiliate or non-affiliate representative may receive compensation payment.

Financial Planning Referrals. CIC may have the opportunity to refer a client to an affiliate investment adviser that offers financial planning services.

Item 15 – Custody

The assets of investment management accounts will be held by a third-party qualified custodian designated by the client and approved by us. Clients are encouraged to establish a custody relationship with one of a group of third-party custodians with which CIC has established satisfactory procedures and processes. These include pre-approved custodians and CIC's parent company, Compass Bank. The designated third-party qualified custodian holds all client account assets and provides account statements to the client directly, at least quarterly, as the client's address of record.

Item 16 – Investment Discretion

CIC accepts both discretionary and non-discretionary accounts.

Prior to our exercise of investment discretion, the client must authorize us to exercise the authority to trade the assets in the client's account for purposes of implementation of our investment management of the account.

Our discretionary investment management clients are permitted to impose reasonable restrictions on securities, industries and sectors by providing us with instructions at the time their advisory accounts are opened or at any time thereafter. We may reject the imposition of restrictions to the extent the restrictions are inconsistent with the types of portfolios or services we provide.

In the case of non-discretionary accounts, the client agrees that Capital Investment Counsel (CIC) will provide recommendations to the client as to the appropriate mix of investments in the account, but that client will direct the investments, making all investment decisions for the account, subject to the restrictions and limitations set out below:

- CIC will recommend to the client the appropriate mix of investments in stocks, bonds, mutual funds, money market funds, and other securities for the Account Assets. If client amends the investment objective profile, then CIC will amend, if needed, its recommendations to the client as to the appropriate mix of investments.
- Client has the option of accepting CIC's recommendations, or selecting an alternative combination of investments. **All investment decisions remain with the client.**
- Cash in the client's account may be invested in money market funds until such time as the client provides CIC with direction as to the investment of the account assets. The client may at any time withdraw or pledge any account assets.

Item 17 – Voting Client Securities (i.e., Proxy Voting)

CIC, as a matter of policy and as a fiduciary to our clients, has the responsibility for voting client proxies in those instances where we exercise discretion. In conforming to the SEC Rule 206(4)-6, it is our responsibility to inform all CIC clients of our policy and procedures regarding proxies, how we deal with any conflicts of interest that might arise and how clients can obtain information on how certain proxies were voted.

Proxy voting is an important right of shareholders and reasonable care and diligence must be undertaken to ensure that such rights are properly and timely exercised. In all instances, Capital Investment Counsel, Inc. will vote proxies in the best interest of the client.

In general, our voting will be in favor of routine corporate housekeeping proposals such as the election of directors and auditors absent conflicts of interest raised by an auditor's non-audit of services. We will generally vote against proposals that cause board members to be entrenched or cause unequal voting rights. In voting for proposals, Capital Investment Counsel, Inc. will consider the opinion of management and the effect on management and shareholder value.

In the event of a conflict of interest, clients will be notified and given the opportunity to vote proxies themselves. It is CIC's policy to refer all proxies received on behalf of CIC's parent company BBVA to forward the proxy on to the clients so they can vote the proxy themselves.

Upon request, clients may request detailed proxy voting guidelines and records of how security proxies were voted. If you have any questions or would like to request further information, please contact Brian McDowell at 303-329-9000.

Item 18 – Financial Information

This is not applicable to CIC.

Item 19 – Requirements for State-Registered Advisers

Capital Investment Counsel is an SEC-Registered Adviser, not a State-Registered Adviser.

