

## CAPITAL COUNSEL LLC

527 Madison Avenue, 19<sup>th</sup> Floor  
New York, NY 10022  
Phone: 212-350-9333  
Fax: 212-371-5548  
[www.capcounsel.com](http://www.capcounsel.com)

March 30, 2012

This brochure provides information about the qualification and business practices of Capital Counsel LLC. If you have any questions about the contents of this brochure, please contact us at 212-350-9333 or by email at [tgreene@capcounsel.com](mailto:tgreene@capcounsel.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about Capital Counsel LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

---

### Annual Update

Capital Counsel LLC is providing this information as part of our annual updating amendment and only discusses material changes since the last annual update which most recently occurred on March 31, 2011.

### Material Changes since the Last Update

There were no material changes since the last annual update.

### Full Brochure Availability

The Firm Brochure for Capital Counsel LLC is available free of charge by contacting 212-350-9333 or [tgreene@capcounsel.com](mailto:tgreene@capcounsel.com), and through the SEC's Investment Adviser Public Disclosure system at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Table of Contents

---

Material Changes .....	2
Annual Update.....	2
Material Changes since the Last Update.....	2
Full Brochure Availability .....	2
Advisory Business.....	5
Firm Description.....	5
Principal Owners .....	5
Types of Advisory Services.....	5
Tailored Relationships .....	5
Assets Under Management .....	5
Fees and Compensation.....	5
Description .....	5
Standard Fee Schedule.....	6
Direct Debit of Fees.....	6
Other Fees .....	6
Performance Fees & Side-by-Side Management.....	7
Types of Clients .....	7
Description .....	7
Account Minimums .....	7
Methods of Analysis, Investment Strategies and Risk of Loss.....	7
Methods of Analysis .....	7
Investment Strategies.....	9
Risk of Loss .....	10
Disciplinary Information .....	10
Other Financial Industry Activities and Affiliations .....	11
Financial Industry Activities.....	11
Affiliations.....	11

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	12
Code of Ethics .....	12
Participation or Interest in Client Transactions .....	12
Brokerage Practices .....	12
Selecting Brokerage Firms .....	12
Best Execution .....	14
Directed Brokerage .....	14
Order Aggregation .....	14
Review of Accounts.....	14
Periodic Reviews .....	14
Review Triggers .....	15
Regular Reports .....	15
Client Referrals and Other Compensation.....	15
Client Referrals.....	15
Custody .....	16
Account Statements.....	16
Investment Discretion .....	16
Discretionary Authority for Trading .....	16
Voting Client Securities .....	17
Proxy Votes .....	17
Financial Information .....	20
Financial Condition .....	20

## Advisory Business

---

### Firm Description

Capital Counsel LLC (“Capital Counsel”), established in 1999, is an SEC-registered investment adviser under the Investment Advisers Act of 1940. Please note that SEC registration does not imply any certain level of skill or training.

### Principal Owners

Capital Counsel was founded in 1999 by F Randall Smith, Terence S. Greene and James I. Magid.

### Types of Advisory Services

Capital Counsel provides asset management services by implementing one investment strategy focused on disciplined valuation based fundamental analysis and patient execution.

Capital Counsel’s investment expertise lies in evaluating individual businesses to determine their ability to generate free cash flow that company management can reinvest in the business to generate sustained profit growth.

Belle Meade Associates is a Limited Partnership available to clients. For more details see *Other Financial Industry Affiliation* sections and *Investment Strategies*.

### Tailored Relationships

Clients retain Capital Counsel on a discretionary basis to determine and direct execution of portfolio transactions which are consistent with the client’s specified investment objectives without consultation on a transaction-by-transaction basis. Most clients leave to Capital Counsel the selection of broker-dealers who are to execute portfolio transactions. Under certain circumstances Capital Counsel may allow clients to adjust their portfolio holdings based upon individual wishes.

### Assets Under Management

As of December 31, 2011 Capital Counsel managed approximately \$1.3 billion on a discretionary basis for individuals, families, foundations and endowments. It also managed approximately \$4.3 million on a non-discretionary basis for one client.

## Fees and Compensation

---

### Description

Capital Counsel’s investment advisory fees accrue at the rate of 1% annually of the market value of portfolio assets up to \$10 million. Clients with greater than \$10

million in assets receive a lower rate. The minimum account size is \$1 million, which may be waived under certain circumstances. Fees are billed quarterly in arrears on the average daily market value of the securities during the previous quarter.

### Standard Fee Schedule

Individual Accounts:

\$1 million to \$10 million 1.0%

Over \$10 million 0.9%

Over \$25 million 0.8%

Over \$50 million 0.7%

Over \$75 million 0.6%

Over \$100 million 0.5%

Accounts invested in Belle Meade Associates:

Belle Meade Associates LP 1.5%

Belle Meade Associates NT LP 1.5%

Belle Meade Associates NY LP 1.25%

### Direct Debit of Fees

Capital Counsel does have the ability to directly debit fees from the clients custody account at State Street Bank & Trust. Capital Counsel has policies and procedures in place to ensure fees are calculated correctly and in accordance with the agreed upon rates. Management fees are debited from custody accounts at State Street Bank & Trust on a quarterly basis. Accounts custodied away from State Street Bank & Trust are invoiced on a quarterly basis.

For more information on the Belle Meade Funds, see the *Other Financial Industry Activities and Affiliations* section of this Brochure.

### Other Fees

Clients will incur other fees such as custodian fees, taxes and mutual fund or ADR expenses. Clients will incur brokerage and other transaction costs. Please refer to the Brokerage Practices section.

Capital Counsel and its supervised persons do not receive compensation for the sale of securities or other investment products, including asset-based sales charges, distribution or service fees from the sale of mutual funds.

## Performance Fees & Side-by-Side Management

---

Capital Counsel and its supervised persons do not receive performance based fees.

## Types of Clients

---

### Description

Capital Counsel primarily manages client accounts on a discretionary basis for individuals, families, foundations and endowments. Capital Counsel also manages accounts of pooled investment vehicles, pension and profit sharing plans, and corporations.

### Account Minimums

The minimum size of a client portfolio is \$1 million. Capital Counsel will, in its discretion, waive this requirement.

## Methods of Analysis, Investment Strategies and Risk of Loss

---

### Methods of Analysis

We seek financially sound businesses that possess records of consistent, internally financed, profitable growth.

We examine financial statements, earnings reports, press releases, and SEC filings to confirm that companies we invest in:

- Have recurring revenues that produce steadily growing after-tax earnings
- Have growth financed by free cash flow from operations, not debt
- Have strong balance sheets

Company performance statistics we analyze and track are:

- Growth of revenues, earnings, and free cash flow
- Return on equity and return on invested capital
- Price/Earnings Ratio (adjusted to reflect excess cash or significant debt)
- Operating Margin (calculated before depreciation, amortization, interest, and taxes)
- Percentage of after-tax foreign earnings
- Intrinsic Growth Rate (calculates the amount of money that must be invested to earn an additional dollar)

We meet with and assess management to determine how and why past success was achieved. We invest in companies whose senior management effectively communicates goals to its employees. They manage the company as a meritocracy and openly, swiftly, and effectively communicate and address problems.

**We maintain ongoing discussions with management to:**

- Verify that the company is run by proven, straightforward, realistic managers
- Evaluate the human, financial, and operational resources of the company
- Determine whether the company can adapt to and profit from change
- Assess efficiency of the company's use of its free cash flow

**We visit operating divisions to:**

- Assess employee knowledge of and commitment to management's stated goals
- Evaluate whether the company's organizational structure rewards and advances employees who execute clearly stated business plans
- Determine whether the company effectively utilizes information technology to improve efficiency

We question former employees, customers, suppliers and competitors to validate our findings.

We evaluate the company, as an informed private buyer might, to determine the value of the business based upon its ability to generate free cash flow. Accordingly, we examine the sources of revenues to determine if they are recurring, and we study the variations in operating margins to determine the cost of additional revenues.

**Calculating Free Cash Flow**

- Sources of cash = after-tax income + depreciation + amortization
- Uses of cash = capital expenditures + changes in working capital



## Calculating a “margin of safety”

- Conservative five-year projection of free cash flow within bounds of prior achievement
- Consistent use of a 12% discount rate

## Capital Counsel Valuation (CCV)

- Discounted present value of business
- Adjusted for net balance sheet cash or debt
- Divided by number of shares

## Our “entry” discipline for new investments

- The ratio of the stock price to the CCV valuation is 1.1 or lower

Other sources of information we use to evaluate companies we are considering for purchase include certain investment conferences, research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, computer tools and other data used in the investment decision-making process. Examples of computer tools and other data resources that Capital Counsel uses in the investment decision-making process include, but are not limited to: Bloomberg, Baseline, Thomson Financial, EdgarPro, and Dow Jones News.

## Investment Strategies

We implement one investment strategy focused on disciplined valuation-based fundamental analysis and patient execution. The core of our strategy is stock selection. Periodic disdain caused by investors’ short-term focus allows us to acquire these companies at a price for our clients that provides a “margin of safety.” Historically, this has provided our clients with good long-term results and protection in declining markets.

## Key principles of our Investment Strategy

- We invest in companies, not industry sectors or macroeconomic trends
- We invest in profitable well-managed companies generating recurring free cash flow
- We know the companies we own and their managements thoroughly
- We maintain a disciplined approach to investment selection and patiently wait for our stocks to sell at our valuation

- We manage concentrated portfolios consisting of no more than 25 stocks, which allows each stock to have a significant impact on the portfolio's performance
- We need to identify no more than four to five new investment opportunities annually to refresh client portfolios.

### Risk of Loss

We believe the risk of principal loss inherent in investing in publicly traded stocks is reduced for clients by our concentrating their investments in the shares of no more than 25 companies whose business success is comprehensible to us. All the companies we choose for investment have records of consistently producing rising free cash flows from their operations. The business cycle risks are reduced by their managements' intimate knowledge of the factors affecting their companies' profits and those of competitors within their industry. Our focus on trying to understand how they successfully cope with changing circumstances in the businesses provides a more reliable guide than economists' forecasts. In choosing companies for investment we eliminate those dependent upon access to the financial markets for funding of their operations. This helps lessen clients' exposure to the damage inflicted on investors by the ever-widening amplitude of the fluctuations in the financial cycle.

Whenever more frequent speculative frenzies occur in securities markets around the world, they invariably go awry and inflict punishing losses on owners of marketable financial assets, including stocks. These downturns drive down the prices of all stocks without respect for the companies' merits. Owning stocks entails risk of loss that clients should be prepared to bear, but serious loss which is a decline in a stock price with no prospect of recovery can be avoided by owning shares in truly sound companies run by prudent dedicated experienced managers. They usually manage to survive and thrive during financial and economic cyclical declines. The key is finding those that are financially sound and assessing management correctly.

## Disciplinary Information

---

Capital Counsel and its management personnel are not currently, nor have ever been party to any legal or disciplinary event.

## Other Financial Industry Activities and Affiliations

---

### Financial Industry Activities

#### Affiliations

Capital Counsel is the general partner of Belle Meade Associates, L.P., Belle Meade Associates NT, L.P. and Belle Meade Associates NY, L.P., each a New York limited partnership (the “Partnerships”). Belle Meade Associates is a private investment vehicle for a limited number of sophisticated, long-term investors. Belle Meade Associates NT is a private investment vehicle for a limited number of sophisticated, long-term investors that are tax-exempt entities and foreign persons or entities. Belle Meade Associates NY is a special-purpose private investment vehicle for a limited number of sophisticated, long-term investors for whom Capital Counsel manages separate investment accounts. Belle Meade Associates and Belle Meade Associates NT pay Capital Counsel quarterly investment management fees equal to  $\frac{3}{8}$  of 1% of the value of the total net assets of the respective partnership. Belle Meade Associates NY pays Capital Counsel quarterly investment management fees equal to  $\frac{5}{16}$  of 1% of the value of the total net assets of the partnership. Fees are charged quarterly in arrears on the average daily value. The Partnerships do not pay Capital Counsel performance fees. The same investment criteria and analysis applied to select stocks for Capital Counsel’s individual client portfolios are used to choose investments for the Partnerships. The principal difference between managing each Partnership’s portfolio and that of individual clients comes from the Partnerships’ ability to use options to protect gains when stocks in the portfolio suddenly increase in price or when a steady rise in the price of a single stock makes it too large a percentage of the overall portfolio. On occasion one or more of the Partnerships will take a position in a company’s stock while Capital Counsel is completing the process of verifying research.

Capital Counsel has entered into a sub-advisory agreement with Richter Bober Asset Management, a registered investment adviser. Capital Counsel recommends to clients with sizeable fixed income portfolios that they consider engaging Richter Bober. Generally, Capital Counsel will pay to Richter Bober 71% of the .35% annual fee charged on the portfolio fixed income assets of these clients. This fee is payable quarterly in arrears.

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

---

### Code of Ethics

Capital Counsel has adopted a Code of Ethics, as required by Rule 204A-1 of the Investment Advisers Act of 1940 which is designed to reinforce fiduciary principles that govern the conduct of Capital Counsel and its supervised persons. The Code of Ethics is available to any current client or prospective client or upon request. The Code of Ethics contains provisions that are believed to be effective safeguards against the possibility of any fraudulent or other prohibited conduct. The Code of Ethics covers all of Capital Counsel's officers and employees.

### Participation or Interest in Client Transactions

Capital Counsel does not invest in marketable securities, other than money market funds, certificates of deposit or U.S. Treasury bills, for its own account. Capital Counsel's employees and members of their immediate families are permitted to buy and sell securities which may also be bought for, held in and sold from client accounts from time to time. To mitigate any conflict of interest, Capital Counsel has established internal procedures intended to assure that all securities transactions for advisory accounts are given precedence over personal transactions for members or employees of Capital Counsel and members of their immediate families. Capital Counsel's employees must pre-clear all personal security transactions in an employee's individual account not managed by Capital Counsel, where the employee directs a Portfolio Manager to execute the trade involving more than 200 shares. Capital Counsel monitors personal securities transactions with a view of avoiding conflicts of interest and actively discourages its personnel from trading for their own accounts.

## Brokerage Practices

---

### Selecting Brokerage Firms

It is Capital Counsel's policy not to employ any broker-dealer in the purchase or sale of securities for its clients unless Capital Counsel believes that such broker-dealer will obtain best execution. In selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation, Capital Counsel takes into consideration such relevant factors as price, the ability of the broker-dealer to effect the transaction, the broker-dealer's facilities, reliability, responsiveness to Capital Counsel's needs and directives and any research services

and other services provided by the broker-dealer. The standard commission rate paid equals 5¢ per share.

Research services used by Capital Counsel include, among other things, certain investment conferences, research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, computer tools and other data used in the investment decision-making process. Examples of computer tools and other data resources that Capital Counsel uses in the investment decision-making process include, but are not limited to: Bloomberg, Baseline, Thomson Financial, EdgarPro and Dow Jones News. In all cases, Capital Counsel makes a careful determination that the amount of commissions paid is reasonable in relation to the value of the services received and reserves the right to terminate the arrangements at any time if it determines that the value of the service no longer justifies the cost. Capital Counsel will pay for services with hard dollars when it is unclear whether the services received qualify as “brokerage and research services” under the Section 28(e) safe harbor provision or related Securities and Exchange Commission interpretations.

When we use client brokerage commissions to obtain research or other products or services, Capital Counsel receives a benefit because we do not have to produce or pay for the research, products or services. If Capital Counsel determines in good faith that the amount of commissions charged by a broker-dealer is reasonable in relation to the value of the brokerage and research services provided by such broker-dealer, Capital Counsel may cause clients to pay commissions to such broker-dealer that are higher than those obtainable from another broker-dealer. Capital Counsel may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients’ interest in receiving most favorable execution. Capital Counsel conducts a best execution review on an annual basis.

Research services obtained from broker-dealers through commission dollars provide Capital Counsel with information which assists it in monitoring the securities markets and keeping abreast of financial developments in the various companies whose securities are held by its clients. The research received may be used by Capital Counsel to service all of its managed accounts. However, not all such research services will be used by Capital Counsel in connection with a particular account, even though that account may have generated some of the commissions used to obtain the services. Alternatively, certain research services used in connection with a particular portfolio might be obtained through brokerage commissions generated by other accounts.

### Best Execution

It is Capital Counsel's policy not to employ any broker-dealer in the purchase or sale of securities for its clients unless Capital Counsel believes that such broker-dealer will obtain best execution, taking into consideration such relevant factors as price, the ability of the broker-dealer to effect the transaction, the broker-dealer's facilities, reliability, financial responsibility, responsiveness to Capital Counsel's needs and directives and any research services and other brokerage services provided by the broker-dealer. The standard commission rate paid equals 5¢ per share. Capital Counsel reviews its broker's execution periodically.

### Directed Brokerage

If a client instructs Capital Counsel to execute security transactions at a broker/dealer other than BNY ConvergeEX, clients should be aware they may forgo the benefits of lower execution costs negotiated between Capital Counsel and BNY ConvergeEX. In addition to paying higher commissions, these clients may also receive worse executions on their purchases and sales. Such security transactions may not be aggregated with other client trades entered at the same time in the same security, with the result that commission rates for such trades and prices may differ from, or be more than, those charged on the aggregated transactions.

### Order Aggregation

When possible, Capital Counsel aggregates individual client trades with other client trades that are being executed by the same broker-dealer on a given trading day. All clients receive the average price for aggregated orders. This procedure enables Capital Counsel to execute trades in a more timely and equitable manner. This policy and procedure also applies to orders placed for Belle Meade Associates.

## Review of Accounts

---

### Periodic Reviews

Members of Capital Counsel's investment committee conduct a thorough review of every client portfolio for consistency with investment objectives periodically and no less often than quarterly. Clients are encouraged to meet regularly with members of the investment committee.

## Review Triggers

A significant change in the client's financial situation or in the financial prospects of any issuer of securities held in the client's portfolio will result in a prompt review. The addition or removal of a security from Capital Counsel's recommended list or a change in the target size of portfolio holdings of a security results in a prompt review of all client portfolios. Such review includes consideration of the appropriate equity exposure limits and the tax consequences of the proposed portfolio changes for each client.

## Regular Reports

For individual client portfolios, clients receive six standard reports on a monthly basis. The six standard reports are: Performance, Portfolio Appraisal, Purchase/Sale and Gain/Loss, Income & Expenses, Cash Ledger and Realized Gains/Losses. In addition, clients who access our secure website can view the six standard reports updated each business day. Clients invested in the Belle Meade Partnerships receive a monthly letter describing the results for the Partnership during the month as well as a performance report for their account.

# Client Referrals and Other Compensation

---

## Client Referrals

Capital Counsel has entered into an arrangement whereby it compensates an individual for recommending to Capital Counsel prospective clients who are former or prospective clients of the individual. Most of these clients had previously relied upon the investment advice of the individual for many years. This arrangement provides that the consultant receive a fee based on a certain percentage of the investment advisory fee received by Capital Counsel from these referred clients. The individual is not an officer, director, manager, member or employee of Capital Counsel and does not render any investment advice to Capital Counsel or its clients. Clients solicited by the individual are not charged any amount in addition to the fees that Capital Counsel customarily may charge.

Client referral and solicitation arrangements by nature present an inherent conflict of interest between Capital Counsel and client. As such, Capital Counsel complies with Rule 206(4)-3 (the Cash Solicitation Rule) under the Investment Advisers Act of 1940, which requires that among other things, that Capital Counsel not compensate any party for client referrals without a written agreement. This rule

also requires that prospective clients are provided disclosures by the individual, which clearly describes the solicitation terms and compensation arrangement.

## Custody

---

### Account Statements

Capital Counsel is not a broker-dealer and does not take possession of client assets. Our client assets are primarily custodied at State Street Bank & Trust a nationally recognized custodian. Clients may select their own custodian instead of choosing State Street Bank & Trust. Capital Counsel has a limited power of attorney to place trades on the client's behalf. If authorized by the client, Capital Counsel may also have the authority to directly debit client accounts for quarterly fees. The custodian sends monthly statements to clients and sends trade confirmations to them unless they specifically ask not to receive them or specify that they go to their accountant or other advisor, while the client's account is managed by Capital Counsel. In addition, Capital Counsel is the general partner of Belle Meade Associates, L.P., Belle Meade Associates NT, L.P. and Belle Meade Associates NY, L.P. These funds are audited annually by Sheehan & Company, an independent accounting firm that is applying for registration with the Public Company Accounting Oversight Board (PCAOB). Audited financial statements are sent with the Form K-1's to the investors in the funds by the accounting firm within 120 days of December 31<sup>st</sup>, the end of the funds' fiscal year.

## Investment Discretion

---

### Discretionary Authority for Trading

Capital Counsel's clients retain us on a discretionary basis to determine and direct execution of portfolio transactions which are consistent with the client's specified investment objectives without consultation on a transaction-by-transaction basis. In addition, most clients leave to Capital Counsel the selection of broker-dealers who are to execute portfolio transactions. Capital Counsel will require clients to sign Capital Counsel's investment advisory agreement. All client imposed limitations or restrictions on this authority such as, directed brokerage, proxy voting restrictions,



and restrictions on particular securities must be provided to Capital Counsel in writing.

## Voting Client Securities

---

### Proxy Votes

#### Policy

Capital Counsel LLC (the “Adviser”) acts as investment adviser and has discretionary authority to vote proxies for companies in which its clients held investments as of the record date. Proxies are issued in connection with annual meetings as well as special events, including mergers, acquisitions and the alteration of corporate charters. Capital Counsel will vote all proxies in accordance with the Policies and Procedures as herein set forth in conformity with the requirements of Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

#### Proxy Voting Guidelines

Each proxy issue will be considered individually. The Guidelines are a partial list, do not include all potential voting issues and are to be used in voting proposals contained in the proxy statements, but will not be used as rigid rules. Capital Counsel is instructed to vote all proxies in accordance with the Guidelines, except as otherwise instructed. However, because proxy issues and the circumstances of individual companies are varied, there may be instances when proxies may not be voted in strict adherence to the Guidelines.

##### A. Board Approved Proposals

The vast majority of matters presented involving proxies relate to proposals made by the issuer itself. These proposals have been approved and recommended by the issuer’s board of directors. Accordingly, the clients’ proxies will generally be voted for board approved proposals, except as follows:

1. Issues regarding Board of Directors elections:
  - a. Capital Counsel will withhold votes for the election of directors if:

- i. the board does not have a majority of independent directors
  - ii. the board does not have nominating, audit and compensation committees chaired by independent directors.
- b. Capital Counsel will vote on a case-by-case basis in contested elections of directors.
- c. Capital Counsel will vote on a case-by-case basis on proposals to classify a board of directors.
- 2. Capital Counsel will vote on a case-by-case basis on board approved proposals relating to executive compensation.
- 3. Capital Counsel will vote on a case-by-case basis on board approved proposals relating to changes in a company's capitalization.
- 4. Capital Counsel will vote on a case-by-case basis on board approved proposals relating to acquisitions, mergers, re-incorporations, reorganizations and other similar transactions.
- 5. Capital Counsel will vote on a case-by-case basis on board approved proposals to adopt any form of anti-takeover measures.
- 6. Capital Counsel will vote on a case-by-case basis on proposals to amend a company's charter or bylaws (except for charter amendments which are necessary to effect stock splits, to change a company's name or to authorize additional shares of common stock).
- 7. Capital Counsel will vote against authorization to transact other unidentified, substantive business at the meeting.
- 8. Capital Counsel will vote on a case-by-case basis on other business matters where Capital Counsel is otherwise withholding votes for the entire board of directors.

## B. Stockholder Proposals

The Securities and Exchange Commission regulations permit stockholders to submit proposals for inclusion in a company's proxy statement. These proposals often seek to change some aspect of the company's corporate governance structure

or to change some aspect of its business operations. Capital Counsel will vote on a case-by-case basis on all shareholder proposals.

### **Procedures**

Capital Counsel is responsible for ensuring that all proxies received by us are voted in a timely manner and consistent with Capital Counsel's determination of each client's best interests. All new and existing discretionary accounts either provide Capital Counsel with voting authority or retain voting authority themselves. In cases where Capital Counsel retains voting authority, when a new account is established or when an existing account delegates voting responsibility to Capital Counsel, it is then responsible for voting proxies. When a client retains proxy voting authority, they will receive their proxies and other solicitations directly from the issuing party. If clients with proxy voting authority have any questions about a particular solicitation, they may contact Capital Counsel at (212) 350-9333 or [tgreene@capcounsel.com](mailto:tgreene@capcounsel.com). Although many proxy proposals can be voted in accordance with the guidelines listed in (the "Guidelines"), Capital Counsel recognizes that certain proposals require special consideration which may dictate that Capital Counsel not explicitly follow the Guidelines.

### **Conflicts of Interest**

Capital Counsel will review each proxy proposal for conflicts of interest as part of the overall vote review process. Where a proxy proposal raises a material conflict of interest, Capital Counsel will resolve such a conflict in the following manner:

1. **Vote in Accordance with the Guidelines.** To the extent that Capital Counsel has little or no discretion to deviate from the Guidelines with respect to the proposal in question, Capital Counsel shall vote in accordance with such pre-determined voting policy.
2. **Obtain Consent.** To the extent that Capital Counsel has discretion to deviate from the Guidelines with respect to the proposal in question, Capital Counsel will disclose any conflict to each affected client and obtain consent to the proposed vote prior to voting the securities. The disclosure will include sufficient detail regarding the matter to be voted on and the nature of Capital Counsel's conflict such that each affected client could make an informed decision regarding the vote. Clients of Capital Counsel have and do serve as directors of companies whose shares are owned in client portfolios. It is Capital Counsel's policy to vote in favor of the re-election of these directors.

## **Limitations**

In certain circumstances, in accordance with a client's directive or where Capital Counsel has determined that it is in the client's best interest, Capital Counsel will not vote proxies received. The following are certain circumstances where Capital Counsel will limit its role in voting proxies:

1. **Client Retains Proxy Voting Authority:** Where a client specifies in writing that it will retain the authority to vote proxies itself or that it has delegated the right to vote proxies to a third party, Capital Counsel will not vote the securities and will direct the relevant party to send the proxy material directly to the client. If any proxy material is received by Capital Counsel, it will promptly be forwarded to the addressee designated by the client.
2. **Terminated Account:** Once a client account has been terminated in accordance with its investment advisory agreement, Capital Counsel will not vote any proxies received after the termination. However, the client may specify in writing that proxies should be directed to the client for voting.
3. **Limited Value:** Capital Counsel may refrain from voting a client's proxies where the cost of voting would exceed any anticipated benefits to the client of the proxy proposal.

Clients may obtain information on how their securities were voted or a copy of Capital Counsel's Policies and Procedures or Guidelines by written request addressed to Capital Counsel.

## **Financial Information**

---

### **Financial Condition**

Capital Counsel LLC is financially sound and has consistently operated with an excess capital cushion. Capital Counsel LLC cannot foresee any circumstances under which it would be unable to fulfill its client commitments.