

# Disclosure Brochure

March 24, 2014

## **Counsel Fiduciary, LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Counsel Fiduciary, LLC (hereinafter "Counsel Fiduciary" or the "firm"). If you have any questions about the contents of this brochure, please contact Susan G. Middleton at (646) 308-1400. 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 Counsel Fiduciary, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Counsel Fiduciary, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

This Item discusses only the material changes that have occurred since Counsel Fiduciary's last annual update dated March 18, 2013. The firm has no disclosures pursuant to this Item.

## Item 3. Table of Contents

### Firm Disclosure Brochure

Item 1.	Cover Page .....	i
Item 2.	Material Changes .....	ii
Item 3.	Table of Contents .....	iii
Item 4.	Advisory Business .....	4
Item 5.	Fees and Compensation .....	7
Item 6.	Performance-Based Fees and Side-by-Side Management .....	10
Item 7.	Types of Clients.....	11
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss .....	12
Item 9.	Disciplinary Information.....	14
Item 10.	Other Financial Industry Activities and Affiliations .....	15
Item 11.	Code of Ethics .....	16
Item 12.	Brokerage Practices .....	17
Item 13.	Review of Accounts.....	20
Item 14.	Client Referrals and Other Compensation .....	21
Item 15.	Custody .....	22
Item 16.	Investment Discretion.....	23
Item 17.	Voting Client Securities .....	24
Item 18.	Financial Information .....	25

### Supervised Person Brochure Supplements

## Item 4. Advisory Business

Counsel Fiduciary has been in business as a registered investment adviser since June 5, 2006. The firm provides clients with a variety of wealth management solutions, which includes financial planning, consulting and investment management services. The principal owner of Counsel Fiduciary is Leith S. Harmon. As of February 4, 2014, the firm had \$40,766,064 in assets under management, all of which were managed on a discretionary basis.

Prior to engaging Counsel Fiduciary to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Counsel Fiduciary setting forth the terms and conditions under which Counsel Fiduciary renders its services (collectively the “*Agreement*”).

This Disclosure Brochure describes the business of Counsel Fiduciary. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of Counsel Fiduciary’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on Counsel Fiduciary’s behalf and is subject to Counsel Fiduciary’s supervision or control.

### Financial Planning and Consulting Services

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Counsel Fiduciary offers clients a broad range of comprehensive financial planning and consulting services addressing a number of investment and non-investment related matters. The firm provides these services either as part of an investment management engagement or as a standalone service. This service offering includes:

- Retirement planning;
- Educational planning;
- Insurance assessment;
- Cash flow analysis;
- Financial education; and
- Tax strategy.

In performing its services, Counsel Fiduciary is not required to verify any information received from the client or from the client’s other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Counsel Fiduciary may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if Counsel Fiduciary recommends its own services. The client is under no obligation to act upon any of the recommendations made by Counsel Fiduciary under a financial planning or consulting engagement or to engage the services of any such recommended professional, including Counsel Fiduciary itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Counsel Fiduciary’s recommendations. Clients are advised that it remains their responsibility to promptly notify Counsel Fiduciary if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Counsel Fiduciary’s previous recommendations and/or services.

## Investment Management Services

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After the initial financial planning stage is complete, clients can engage Counsel Fiduciary to manage their investment portfolios on a discretionary basis.

During the plan implementation phase, Counsel Fiduciary generally allocates clients' investment management assets among *Independent Managers* (as defined below), indexed-based mutual funds, exchange-traded funds ("ETFs") and/or alternative investments in accordance with the investment objectives of the client. The firm may also provide investment advice with regard to legacy positions or investments otherwise held in its clients' portfolios.

Certain of the alternative investments recommended by Counsel Fiduciary, which may include debt, equity and/or pooled investment vehicles, exist in the form of private placement securities. As such, the firm limits such recommendations to those clients deemed to be "accredited investors," as defined under Rule 501 of the Securities Act of 1933, as amended.

Counsel Fiduciary may also render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, Counsel Fiduciary either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

Counsel Fiduciary tailors its advisory services to the individual needs of clients. Counsel Fiduciary consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. Counsel Fiduciary ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify Counsel Fiduciary if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Counsel Fiduciary's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in Counsel Fiduciary's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

## Use of Independent Managers

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As mentioned above, Counsel Fiduciary recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("*Independent Managers*"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between Counsel Fiduciary or the client and the designated *Independent*

## Counsel Fiduciary, LLC Disclosure Brochure

*Managers.* Counsel Fiduciary renders services to the client relative to the discretionary selection of *Independent Managers*. Counsel Fiduciary also monitors and reviews the account performance and the client's investment objectives. Counsel Fiduciary receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When selecting an *Independent Manager* for a client, Counsel Fiduciary reviews information about the *Independent Manager* such as its disclosure brochure and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that Counsel Fiduciary considers in selecting an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing and research. The investment management fees charged by the designated *Independent Managers*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of and in addition to, Counsel Fiduciary's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by Counsel Fiduciary, the designated *Independent Managers* and corresponding broker-dealer and custodian.

In addition to Counsel Fiduciary's written disclosure brochure, the client also receives the written disclosure brochure of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than Counsel Fiduciary. In such instances, Counsel Fiduciary may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

## Item 5. Fees and Compensation

Counsel Fiduciary offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management.

### Financial Planning and Consulting Fees

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Counsel Fiduciary charges a fixed fee and/or hourly fee for its standalone financial planning and consulting services. These fees are negotiable, but generally range from \$3,000 to \$8,000 on a fixed fee basis and \$400 on an hourly basis. These fees are largely determined by the complexity and scope of the services and the professional engaged to render them. In the event the client engages Counsel Fiduciary for additional investment advisory services, Counsel Fiduciary may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging Counsel Fiduciary to provide financial planning and/or consulting services, the client is required to enter into a written agreement with Counsel Fiduciary setting forth the terms and conditions of the engagement. Generally, Counsel Fiduciary requires one-half of the financial planning or consulting fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

### Investment Management Fee

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Counsel Fiduciary provides investment management services for an annual fee based upon a percentage of the assets being managed by Counsel Fiduciary. As part of an investment management engagement, clients may receive certain financial planning services at no additional cost. This fee is prorated and charged quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter. The annual fee generally varies between 0.125% and 1.50% based on the following fee schedule:

<b><u>PORTFOLIO VALUE</u></b>	<b><u>BASE FEE</u></b>
Up to \$500,000	1.50%
Next \$1,500,000	1.00%
Next \$1,000,000	0.75%
Next \$3,000,000	0.50%
Next \$5,000,000	0.25%
Above \$10,000,000	0.125%

Counsel Fiduciary, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount

of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

As discussed in response to Item 7 (below), Counsel Fiduciary generally imposes a minimum annual fee of \$10,000 for new and existing investment management engagements. In the event the firm agrees to render services to clients with less than \$600,000 in portfolio assets, the applicable asset-based fee may exceed the top range of the above referenced fee schedule (i.e., 1.50%). The effective rate for such engagements may range up to roughly 2.00% of the total portfolio assets, but may be more or less, depending on the client's individual circumstances.

Counsel Fiduciary's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Counsel Fiduciary does not, however, receive any portion of these commissions, fees and costs.

### **Fees Charged by Financial Institutions**

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As further discussed in response to Item 12 (below), Counsel Fiduciary generally recommends that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services ("*Fidelity*") for investment management accounts.

Counsel Fiduciary may only implement its investment management recommendations after the client has arranged for and furnished Counsel Fiduciary with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Fidelity*, any other broker-dealer recommended by Counsel Fiduciary, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by *Independent Managers*, custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Counsel Fiduciary's fee.

### **Fee Debit**

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Counsel Fiduciary's *Agreement* and the separate agreement with any *Financial Institutions* may authorize Counsel Fiduciary or *Independent Managers* to debit the client's account for the amount of Counsel Fiduciary's fee and to directly remit that management fee to Counsel Fiduciary or the *Independent Managers*. Any *Financial Institutions* recommended by Counsel Fiduciary have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the



## Counsel Fiduciary, LLC Disclosure Brochure

amount of management fees paid directly to Counsel Fiduciary. Alternatively, clients may elect to have Counsel Fiduciary send an invoice for payment.

### **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between Counsel Fiduciary and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Counsel Fiduciary's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to Counsel Fiduciary's right to terminate an account. Additions may be in cash or securities provided that Counsel Fiduciary reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Counsel Fiduciary, subject to the usual and customary securities settlement procedures. However, Counsel Fiduciary designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Counsel Fiduciary may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets in excess of \$50,000 are deposited into an account after the inception of a quarter, the fee payable with respect to such assets is prorated based on the number of days remaining in the quarter. For partial withdrawals in excess of \$50,000 during a billing period, the unearned portion of the fee is credited toward the following quarter's management fee.

### **Item 6. Performance-Based Fees and Side-by-Side Management**

Counsel Fiduciary does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7. Types of Clients

Counsel Fiduciary provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### Minimum Annual Fee

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As a condition for starting and maintaining a relationship, Counsel Fiduciary generally imposes a minimum annual fee of \$10,000. This minimum fee may have the effect of making Counsel Fiduciary's service impractical for clients, particularly those with portfolios less than \$600,000 under Counsel Fiduciary's management. Counsel Fiduciary, in its sole discretion, may waive its minimum annual fee based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention and *pro bono* activities.

Additionally, certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than Counsel Fiduciary. In such instances, Counsel Fiduciary may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

### Methods of Analysis

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Counsel Fiduciary's analytical metrics are based on the principles of Modern Portfolio Theory ("MPT").

MPT is a mathematical based investment discipline that seeks to quantify expected portfolio returns in relation to corresponding portfolio risk. The basic premise of MPT is that the risk of a particular holding is to be assessed by comparing its price variations against those of the market portfolio. However, MPT disregards certain investment considerations and is based on a series of assumptions that may not necessarily reflect actual market conditions. As such, the factors for which MPT does not account (e.g., tax implications, regulatory constraints and brokerage costs) may negate the upside or add to the actual risk of a particular allocation. Nonetheless, Counsel Fiduciary's investment process is structured in such a way to integrate those assumptions and real life considerations for which MPT analytics do not account.

### Investment Strategies

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Counsel Fiduciary initiates each client relationship with a complete review of its client's individual circumstances, current portfolio, goals and objectives and risk tolerance. Based on this initial conversation, the firm uses long-only portfolios and plan investments that it feels best suit the client's needs. A Monte Carlo simulator assists in determining how the plans are structured based on the assumptions used and communicated to the client. Counsel Fiduciary's investment portfolios are all global and include all major recognized asset classes that are readily investible. These include U.S., global developed and emerging market debt and equity securities, as well as commodities.

The firm's primary investment choices include ETFs and indexed-based mutual funds. Counsel Fiduciary sets up goals regarding asset allocation and sectors and chooses the funds necessary to rebalance accordingly.

### Risk of Loss

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#### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees,

redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Market Risks*

The profitability of a significant portion of Counsel Fiduciary's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Counsel Fiduciary will be able to predict those price movements accurately.

### *Use of Independent Managers*

Counsel Fiduciary may recommend the use of *Independent Managers* for certain clients. Counsel Fiduciary will continue to do ongoing due diligence of such managers, but such recommendations rely, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, Counsel Fiduciary does not have the ability to supervise the *Independent Managers* on a day-to-day basis other than as previously described in response to Item 4, above.

### *Use of Private Collective Investment Vehicles*

Counsel Fiduciary may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be typically called "hedge funds"). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### **Item 9. Disciplinary Information**

Counsel Fiduciary is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Counsel Fiduciary does not have any required disclosures to this Item.

### **Item 10. Other Financial Industry Activities and Affiliations**

Counsel Fiduciary is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. The firm has no disclosures pursuant to this Item.

### Item 11. Code of Ethics

Counsel Fiduciary and persons associated with Counsel Fiduciary (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with Counsel Fiduciary’s policies and procedures.

Counsel Fiduciary has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“*Code of Ethics*”). Counsel Fiduciary’s *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by Counsel Fiduciary or any of its associated persons. The *Code of Ethics* also requires that certain of Counsel Fiduciary’s personnel (called “*Access Persons*”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

When Counsel Fiduciary is engaging in or considering a transaction in any security on behalf of a client, no *Access Person* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the *Access Person* is completed as part of a batch trade (as defined below in Item 12) with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated above.

Clients and prospective clients may contact Counsel Fiduciary to request a copy of its *Code of Ethics*.



### Item 12. Brokerage Practices

As discussed above, in Item 5, Counsel Fiduciary generally recommends that clients utilize the brokerage and clearing services of *Fidelity*.

Factors which Counsel Fiduciary considers in recommending *Fidelity* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Fidelity* may enable the firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Fidelity* may be higher or lower than those charged by other Financial Institutions.

The commissions paid by Counsel Fiduciary's clients to *Fidelity* comply with the firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where Counsel Fiduciary determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. Counsel Fiduciary seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker/dealers in return for investment research products and/or services which assist Counsel Fiduciary in its investment decision-making process. Such research generally will be used to service all of the firm's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Counsel Fiduciary does not have to produce or pay for the products or services.

Counsel Fiduciary periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

#### **Software and Support Provided by Financial Institutions**

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Counsel Fiduciary may receive without cost from *Fidelity* computer software and related systems support, which allow Counsel Fiduciary to better monitor client accounts maintained at *Fidelity*. Counsel Fiduciary may receive the software and related support without cost because the firm renders investment management services to clients that maintain assets at *Fidelity*. The software and support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The software and related systems support may benefit Counsel Fiduciary, but not its clients directly. In fulfilling its duties to its clients, Counsel Fiduciary endeavors at all times to put the interests of its clients first. Clients should be

## Counsel Fiduciary, LLC Disclosure Brochure

aware, however, that Counsel Fiduciary's receipt of economic benefits from a broker/dealer creates a conflict of interest since these benefits may influence the firm's choice of broker/dealer over another that does not furnish similar software, systems support or services.

Specifically, Counsel Fiduciary may receive the following benefits from *Fidelity*:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its institutional traders;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

### Brokerage for Client Referrals

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Counsel Fiduciary does not consider, in selecting or recommending broker/dealers, whether the firm receives client referrals from the Financial Institutions or other third party.

### Directed Brokerage

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The client may direct Counsel Fiduciary in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the firm will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by Counsel Fiduciary (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Counsel Fiduciary may decline a client's request to direct brokerage if, in the firm's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

### Trade Aggregation

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Transactions for each client generally will be effected independently, unless Counsel Fiduciary decides to purchase or sell the same securities for several clients at approximately the same time. Counsel Fiduciary may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the firm's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Counsel Fiduciary's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the firm determines to aggregate client orders for the purchase

or sale of securities, including securities in which Counsel Fiduciary's *Supervised Persons* may invest, the firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Counsel Fiduciary does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

### Item 13. Review of Accounts

For those clients to whom Counsel Fiduciary provides investment management services, Counsel Fiduciary monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom Counsel Fiduciary provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of Counsel Fiduciary’s executive officers, Leith S. Harmon or Susan G. Middleton. All investment advisory clients are encouraged to discuss their needs, goals and objectives with Counsel Fiduciary and to keep Counsel Fiduciary informed of any changes thereto. Counsel Fiduciary contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom Counsel Fiduciary provides investment advisory services will also receive a report from Counsel Fiduciary that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance not less than annually. Clients should compare the account statements they receive from their custodian with those they receive from Counsel Fiduciary.

Those clients to whom Counsel Fiduciary provides financial planning and/or consulting services will receive reports from Counsel Fiduciary summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by Counsel Fiduciary.

### Item 14. Client Referrals and Other Compensation

#### Client Referrals

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If a client is introduced to Counsel Fiduciary by either an unaffiliated or an affiliated solicitor, Counsel Fiduciary may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. If the client is introduced to Counsel Fiduciary by an unaffiliated solicitor, the solicitor provides the client with a copy of Counsel Fiduciary's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of Counsel Fiduciary discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of Counsel Fiduciary's written disclosure brochure at the time of the solicitation.

#### Other Economic Benefits

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In addition, Counsel Fiduciary is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

### Item 15. Custody

Counsel Fiduciary's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize Counsel Fiduciary through such *Financial Institution* to debit the client's account for the amount of Counsel Fiduciary's fee and to directly remit that management fee to Counsel Fiduciary in accordance with applicable custody rules.

The *Financial Institutions* recommended by Counsel Fiduciary have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Counsel Fiduciary. In addition, as discussed in Item 13, Counsel Fiduciary also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from Counsel Fiduciary.

### Item 16. Investment Discretion

Counsel Fiduciary retains the authority to exercise discretion on behalf of clients. Counsel Fiduciary is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Counsel Fiduciary is given this authority through a power-of-attorney included in the agreement between Counsel Fiduciary and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Counsel Fiduciary takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Independent Managers* to be hired or fired.

### Item 17. Voting Client Securities

Counsel Fiduciary is required to disclose if it accepts authority to vote client securities. Counsel Fiduciary does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.



### Item 18. Financial Information

Counsel Fiduciary is not required to disclose any financial information pursuant to this Item due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.

## **Counsel Fiduciary, LLC**

*a Registered Investment Adviser*

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Prepared by:

