

VIOLICH CAPITAL MANAGEMENT

INVESTMENT COUNSEL

Form ADV Part 2A (the “Brochure”)

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March 2011

This brochure provides information about the qualifications and business practices of Violich Capital Management (“VCM” or “we”). If you have any questions about the contents of this brochure, please contact us at (415)217-4444. 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. VCM is a registered investment adviser. Registration of an Investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Item 2 – Material Changes

This brochure is a new document prepared according to the SEC's new requirements and rules and is materially different in structure and requires certain new information not included in our previous brochure.

In the future, this Item will discuss only specific material changes that are made to the brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past, we have included with our quarterly fee statements an offer to deliver information about our qualifications and business practices to clients. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our fiscal year (December 31). We may further provide other information about material changes as necessary. We will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

Currently, our brochure may be requested by contacting us at (415)217-4444.

Additional information about Violich Capital Management is also available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with Violich Capital Management who are registered, or are required to be registered, as investment adviser representatives of Violich Capital Management.

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Item 4 – Advisory

Violich Capital Management (formerly Paul A. Violich, Inc.) became a registered investment advisor in 1999. Our predecessor firm, Paul A. Violich, Inc., was formed in the 1970s as a personal services corporation and evolved into agricultural property management in the 1980s. In 2009, the agricultural interests and the investment advisory services portion of the firm were separated and Violich Capital Management was established. Violich Capital Management focuses solely on investment advisory services.

The firm is 100% employee-owned. Paul A. Violich and Adam A. Violich each own more than 40% of the firm and John J. Kolozsi owns more than 10%.

Violich Capital Management (VCM) is a registered investment advisor (SEC File 801-56823) managing discretionary and nondiscretionary equity, balanced, fixed income and cash management accounts for taxable and non-taxable clients. We focus primarily on high net worth individuals, trusts, estates, individual and corporate pension and profit sharing plans, charitable organizations and private family foundations.

As of December 31, 2010 assets under management totaled \$616,544,400, representing 288 discretionary accounts and 93 clients.

Item 5 – Fees and Compensation

Fee Schedule
Incremental Annual Fee as a Percentage of Assets

<u>Balanced and Equity Accounts</u>	<u>Fee</u>
First \$2 million	0.80%
Next \$8 million	0.60%
Next \$10 million	0.50%
All over \$20 million	0.40%
 <u>Small Cap Accounts</u>	 <u>Fee</u>
First \$15 million	1.00%
Next \$10 million	0.90%
Next \$25 million	0.80%
All over \$50 million	0.75%
 <u>Fixed Income Accounts</u>	 <u>Fee</u>
First \$25 million	0.20%
All over \$25 million	0.15%

Fees are calculated and billed quarterly in arrears based on the market value of the assets under management on the last business day of each quarter. Clients may elect in writing to be billed directly for fees or may authorize VCM to directly debit fees from client accounts. Upon termination of any account, any earned, unpaid fees will be due and payable. VCM's investment management agreement includes thirty-day written termination notification clause and any final fee will include a pro rata charge for terminating an account with less than thirty-day notice.

The foregoing describes VCM's basic fee schedules. In certain circumstances, fee schedules may be negotiated and arrangements with any particular client may vary from the above schedules. Such variations may affect the above fee schedules.

VCM's fees do not include brokerage commissions, transaction fees, and other related costs and expenses that may be incurred by the client. Clients are responsible for charges imposed by custodians and brokers, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to VCM's fees, and VCM does not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that VCM considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (e.g., commissions).

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

VCM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

VCM provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable foundations and endowments. Generally, VCM does not accept new account relationships of less than \$500,000. We will, however, on occasion accept smaller account relationships.

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

The majority of our clients' portfolios is invested in a conservatively weighted combination of large capitalization equities and fixed income securities. The balance of fixed income securities and large capitalization equities is based on each client's particular situation with the objective of protecting principal while

achieving capital appreciation. We also provide a small capitalization equity strategy to a small number of clients who are willing to assume more risk for potentially higher returns.

Our investment strategy focuses on a blended top-down/bottom-up approach to construct an effective portfolio. Sector allocations are driven by the need for diversification, and tailored to macroeconomic factors and investment themes. Our security analysts seek to identify high quality companies through qualitative research and proprietary quantitative screening. Specifically, the firm's strategy stresses a disciplined valuation and screening process through a research-driven process. We place a strong emphasis on security selection and price discipline; and a diversified portfolio of investments. We emphasize a long-term investment horizon. We do not engage in short selling or options trading. Our sell discipline is an ongoing assessment of a number of factors that may trigger the elimination of a stock from the portfolio.

Despite our conservative investment strategy, our clients and prospective clients should be aware that Investing in securities could involve a risk of loss of initial investment.

Item 9 – Disciplinary Information

We have nothing to disclose under this item. Neither VCM, its employees nor related persons has been involved in any legal or disciplinary events pertinent that are material to a client's or prospective client's evaluation of advisory business or the integrity of our management.

Item 10 – Other Financial Industry Activities and Affiliations.

VCM has entered into an arrangement with Charles Raven Capital Management (CRCM) under which CRCM provides advisory services to VCM on certain accounts on a sub-advisory or co-advisory basis. CRCM is a corporation owned entirely by Charles H. Raven. Mr. Raven is not an employee of VCM, but he is a member of VCM's Research Committee.

Item 11 – Code of Ethics

Code of Ethics. VCM seeks to foster and maintain a reputation for honesty, integrity and professionalism. That reputation is a vital business asset. The confidence and trust placed in VCM are highly valued and must be protected. As a result, VCM and its employees must not act or behave in any manner or engage in any activity that 1) creates even the suspicion or appearance of the misuse of material, nonpublic information by any employee, 2) gives rise to, or appears to give rise to, any breach of fiduciary duty owed to any client or investor, or 3) creates any actual or potential conflict of interest, or even the appearance of a conflict of interest.

VCM maintains a record of each employee's securities transactions which will include transactions in any accounts over which the employee has direct or indirect influence or control. VCM has developed the policies and procedures relating to personal trading in securities and the reporting of such personal trading in securities in order to ensure that each employee acts in a manner consistent with the firm's duties to its clients. A copy of the firm's code of ethics and business conduct is available by written request to VCM. All supervised persons at VCM must acknowledge the terms of the Code of Ethics annually, or as amended.

Item 12 – Brokerage Practices

Our clients grant VCM discretion over the selection and amount of securities to be bought or sold, without requiring client consent as to any particular transaction, subject to specified investment objectives and guidelines. VCM generally will have discretion to select the broker or dealer to be used, and the compensation to be paid, on a transaction-by-transaction basis. Securities may be purchased from a market maker acting as principal on a net basis with no brokerage commission and may also be purchased from underwriters at prices that include compensation to the underwriters. VCM may aggregate the orders of some or all of its clients placed with a particular broker-dealer in order to facilitate orderly and efficient execution, giving each participating client the average price.

Soft dollars. VCM may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co. Inc. (Schwab) to maintain custody of clients' assets and to effect trades for their accounts. VCM is independently owned and operated and not affiliated with Schwab. Schwab provides VCM with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional. Schwab's services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For VCM's client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Schwab also makes available to VCM other products and services that benefit VCM but may not benefit its clients' accounts. Some of these other products and services assist VCM 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 VCM's fees from its

clients' accounts, and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of VCM's accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional also makes available to VCM other services intended to help VCM manage and further develop its business enterprise. These services may include consulting, publications and conferences 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 rendered to VCM 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 VCM. As a fiduciary, VCM endeavors to act in its clients' best interests; however, VCM's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to VCM of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Aggregation and Allocation of Transactions. While each client account is managed individually, VCM often purchases and/or sells the same securities for several accounts at the same time. When practicable, VCM aggregates contemporaneous transactions in the same securities for clients. When it does so, participating accounts are allocated the resulting securities or proceeds (and related transaction expenses) on an average price basis. VCM believes combining orders in this manner is advantageous to all parties. The average price resulting from any particular aggregated transaction could be less advantageous than if the client had been the only account effecting the transaction or had completed its transactions in the security before the other participants.

In some cases, VCM is not able to aggregate orders for all clients seeking to buy or sell the same security. VCM is unable to aggregate transactions executed through different brokerage firms. In addition, one or more clients may direct VCM to use a particular broker-dealer for some or all of that client's transactions, preventing VCM from aggregating that client's transactions executed with other broker-dealers. Clients whose transactions are filled after other clients' transactions may receive less favorable prices. Where VCM cannot aggregate all trades at a particular time, we maintain a random rotation among groups and subgroups of accounts. This rotation is intended to prevent VCM from favoring one account or one group of accounts.

Directed Brokerage. Some clients may instruct VCM to use one or more particular broker-dealers in managing their accounts. They may specify a particular amount of commissions to be sent to those broker-dealers, that all business should be directed to those broker-dealers, or merely that those broker-

dealers should be used when all other considerations are equal. Directing the use of a particular broker-dealer prevents VCM from effectively negotiating brokerage compensation on a client's behalf or aggregating orders with other clients. This may result in the loss of possible advantages that are available to non-designating clients.

Custodian Recommendation. From time to time, VCM may recommend to clients who have not made arrangements for custodial services two or more custodians, including broker-dealers.

Item 13 – Review of Accounts

Purchases and sales for client accounts are reviewed weekly by the Research Committee to ensure that each portfolio is in compliance with VCM's strategy and client guidelines.

Quarterly, we provide each client with a portfolio appraisal summary. The summary includes inventory of securities, breakdown of cash, fixed income and equity securities, equity exposure by industry classification, and projected annual dividend income and current yield for each security. Written notification of security purchases and sales is provided within a few days of their occurrence.

Item 14 – Client Referrals and Other Compensation

We do not compensate any person directly or indirectly for client referrals.

Item 15 – Custody

Our clients' assets are held in custody by unaffiliated broker/dealers or banks. We have written authority from our clients to debit our quarterly investment management fees directly from their custodian bank or brokerage accounts. For this reason only, we are considered to have custody of our clients' assets. Custodian banks and brokerage firms send monthly statements directly to our clients. VCM encourages clients to review such statements and compare such official custodial records to the account statements that we may provide. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

VCM usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Clients may place reasonable restrictions on our investment decisions regarding certain industries (e.g. tobacco).

Item 17 – Voting Client Securities

Proxy Voting policies and procedures. VCM has adopted and implemented policies and procedures that we believe are reasonably designed to ensure that proxies are voted in the best interests of our clients. These policies and procedures are also intended to reflect SEC requirements governing advisors as well as the fiduciary standards and responsibilities for ERISA accounts established by the Department of Labor.

Proxy Voting Process:

- **Obtaining proxy materials.** We instruct client custodians to deliver proxy materials for the accounts of clients who have given us voting authority. Delivery is made to a service provider we have engaged as our voting agent and independent research consultant. Periodic reconciliation of holdings and ballots is designed to reveal any failure to deliver ballots for client holdings.
- **Determining the vote.** Members of our Research Committee have collaboratively establish a general statement of voting policy and specific voting positions on substantive proxy issues. The general policy and specific positions are generally intended to further the economic value of each investment for the expected holding period.
- **Voting.** Using the Internet, our voting agent posts the pending proxy notices and ballots as well as its analysis and recommendations. When circumstances suggest deviation from our established guidelines, the issue is discussed with appropriate members of the Research Committee before the vote is cast.
- **Maintaining records.** With the assistance of our voting agent, we maintain records of our policies and procedures, proxy statements received, votes cast, any documents we created material to our decision making, and any client's written request for proxy voting records as well as our written response to any client request for such records.

Conflicts of interest. Any material conflict between our interests and those of a client will be resolved in the best interests of our client. In the event we become aware of such of a conflict, we will a) disclose the conflict and obtain the client's consent before voting the shares, b) vote in accordance with a pre-determined policy based on the independent analysis and recommendation of our voting agent, or c) make other voting arrangements consistent with our fiduciary obligations.

Shares not voted. Our procedures are reasonably designed to ensure that we vote every eligible share with the exception of shares domiciled in share blocking countries. Share blocking countries restrict share transactions for periods

surrounding the meeting date. We have taken the position that share liquidity generally has a higher value than the vote and usually do not vote shares subject to restriction on transactions.

Obtaining additional information. We do not generally disclose our votes to third parties, but a report showing how we voted is available to our clients upon request. In addition, a copy of this disclosure, our general Proxy Voting Policy statement, and our detailed Custom Policy statement are available to our clients upon request.

Item 18 – Financial Information

VCM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and we have not been the subject of a bankruptcy proceeding.

Item 19 – Requirements for State-Registered Advisers

Not applicable.