

CAPITAL COUNSEL LLC

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March 30, 2020

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 afreidin@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.

Capital Counsel LLC is a registered investment adviser with the Securities and Exchange Commission (“SEC”). SEC registration does not imply any certain level of skill or training. Additional information about Capital Counsel LLC is available on the SEC’s website at 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 29, 2019.

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 afreidin@capcounsel.com, and through the SEC's Investment Adviser Public Disclosure system at 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	6
Fees and Compensation	6
Description	6
Standard Fee Schedule.....	6
Direct Debit of Fees.....	7
Other Fees.....	7
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	8
Methods of Analysis	8
Investment Strategies.....	9
Risk of Loss	10
Disciplinary Information	11
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
Personal Trading.....	12

Brokerage Practices	13
Best Execution.....	13
Research and Other Soft Dollar Benefits	13
Directed Brokerage	14
Order Aggregation.....	15
Review of Accounts	15
Periodic Reviews.....	15
Review Triggers	15
Regular Reports	15
Client Referrals and Other Compensation	16
Client Referrals.....	16
Custody	16
Account Statements.....	16
Investment Discretion	17
Discretionary Authority for Trading.....	17
Voting Client Securities	18
Proxy Voting Policy.....	18
Procedures	18
Conflicts of Interest.....	18
Limitations.....	19
Proxy Voting Guidelines.....	19
Financial Information	21
Financial Condition	21

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.

Principal Owners

Capital Counsel was founded in 1999 by F Randall Smith, Terence S. Greene, James I. Magid and Lauren Blum. It remains majority-owned by its employees.

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, Belle Meade Associates NT, and Belle Meade Associates NY are Limited Partnerships for which Capital Counsel serves as the general partner. For more details see *Other Financial Industry Activities and Affiliations* section and *Methods of Analysis, Investment Strategies and Risk of Loss* section.

Capital Counsel offers discretionary asset management services to employee benefit plans covered under the Employee Retirement Income Securities Act (“ERISA”). The services provided and compensation policies are described in this Form ADV Part 2A and in client engagement letters. As it relates to ERISA accounts, Capital Counsel does not expect to receive any direct or indirect compensation outside of what is specifically described in this document.

Upon request, Capital Counsel offers financial planning services including advice on retirement, tax, and estate planning, charitable giving, budgeting and liquidity. Capital Counsel can recommend competent tax, accounting and legal professionals to current clients. We are neither attorneys nor accountants.

Tailored Relationships

Clients retain Capital Counsel on a discretionary basis to determine and direct execution of portfolio transactions 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, 2019, Capital Counsel managed approximately \$1,822.4 million on a discretionary basis primarily for individuals, families, foundations and endowments. It also managed approximately \$7.7 million on a non-discretionary basis.

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 and are calculated based on the average daily market value of an account's assets during the previous quarter.

Standard Fee Schedule

Separately Managed Accounts:

Up 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%

Limited Partnerships:

Belle Meade Associates, L.P. 1.0%

Belle Meade Associates, NT L.P. 1.0%

Belle Meade Associates, NY L.P. 1.0%

For clients who have engaged Clarfeld Financial Advisors, LLC ("Clarfeld") as a sub-advisor on their fixed income portfolios, fixed income assets will generally be charged an annual fee of 0.35%. For more information about Capital Counsel's sub-advisory agreement, please see the *Other Financial Industry Activities and Affiliations* section of this brochure.

Under certain circumstances, Capital Counsel may reduce the actual fees charged.

Direct Debit of Fees

Capital Counsel has the ability to directly debit fees from clients' custody accounts held at BNY Mellon, N.A. 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 BNY Mellon, N.A. on a quarterly basis. Accounts custodied away from BNY Mellon, N.A. 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, mutual fund, exchange traded fund, and ADR expenses. Clients will incur brokerage and other transaction costs. For more information, 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 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 stocks of 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 managements effectively communicate goals to their 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 the 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

Capital Counsel Valuation (CCV)

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

Other sources of information we use to evaluate companies during the investment decision-making process 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 sources. 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, EdgarPro, FactSet, and William O’Neil.

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. Portfolio management decisions may differ based upon each client’s tax circumstance and other considerations.

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
- We manage concentrated portfolios consisting of typically no more than 25 stocks, which allows each stock to have a significant impact on the portfolio’s performance

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 typically 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 avoid 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.

Owning stocks entails risk of loss that clients should be prepared to bear. 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. Serious loss, which is a decline in a stock price with no prospect of recovery, can be mitigated by owning shares in truly sound companies run by prudent, dedicated and experienced managers. They usually are better positioned to weather market downturns. 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

Capital Counsel does not engage in any business other than providing investment advice and financial planning services. Neither Capital Counsel nor any of its employees is registered or has applied to register as a broker-dealer, futures commissions merchant, commodity pool operator, or commodity trading adviser.

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 either tax-exempt entities or foreign persons or entities. Belle Meade Associates NY is a private investment vehicle for a limited number of sophisticated, long-term investors for whom Capital Counsel may also manage separate investment accounts. Belle Meade Associates, L.P., Belle Meade Associates NT, L.P. and Belle Meade Associates NY, L.P. pay Capital Counsel quarterly investment management fees equal to 1/4 of 1% of the value of their total net assets. Under certain circumstances, Capital Counsel may reduce the actual fees charged. 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 Clarfeld Financial Advisors, LLC , a registered investment adviser. Capital Counsel recommends to clients with fixed income portfolios that they consider engaging Clarfeld. Generally, Capital Counsel will pay to Clarfeld 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 or prospective client 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 our 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.

Capital Counsel serves as the general partner to the Belle Meade Funds.

Personal Trading

Employees are strongly encouraged to custody all their security trading accounts at BNY Mellon, N.A. and to direct brokerage discretion to Capital Counsel, who will direct trades through Cowen Group, Inc ("Cowen") and William Blair ("Blair"). To mitigate any conflict of interest, Capital Counsel's employees must pre-clear all personal security transactions in their accounts not managed by Capital Counsel, where the employee directs a trade involving more than 200 shares in a day. Employees are invested in separately managed accounts, Belle Meade Associates, L.P., Belle Meade Associates NT, L.P., and Belle Meade Associates NY, L.P. To the extent that any of its employees have accounts established with Capital Counsel,

employee directed transactions will be executed as part of an aggregated order if possible and receive the average price for the day, or after customer account purchase requirements have been completed. In the event that employees have personal securities accounts elsewhere, quarterly statements must be provided to Capital Counsel's Chief Compliance Officer for review. Employees may not use knowledge about pending or currently considered securities transactions for clients to profit personally, directly or indirectly, as a result of such transactions. 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

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. 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 on equity trades equals 5¢ per share. Capital Counsel conducts a best execution review on a quarterly basis.

Research and Other Soft Dollar Benefits

Pursuant to Section 28(e) of the Securities Exchange Act of 1934, Capital Counsel has entered into soft dollar arrangements with third parties and broker-dealers for eligible research products and services used by Capital Counsel in connection with its investment process. 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 sources 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, EdgarPro, FactSet, Panaray, and William O'Neil. 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

will terminate the arrangements if it determines that the value of the service no longer justifies the cost. Pursuant to Section 28(e), Capital Counsel has also entered into soft dollar arrangements with third parties and broker-dealers for "mixed-use" products and services. Mixed-use products and services are products and services that constitute eligible brokerage or research under Section 28(e), but which are being used for both eligible and ineligible purposes. Any mixed-use services or products are allocated between soft dollars for the research portion and hard dollars for the non-eligible portion. 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 the lowest commission.

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 account might be obtained through brokerage commissions generated by other accounts.

Directed Brokerage

If a client instructs Capital Counsel to execute security transactions at a broker-dealer other than Cowen or Blair, clients should be aware they may forgo the benefits of lower execution costs negotiated between Capital Counsel and Cowen or Capital Counsel and Blair. 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 in the same securities 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 procedure also applies to orders placed for the Belle Meade Partnerships. It may not be possible to aggregate trades with different limits or trades done through certain client-directed broker-dealers.

Review of Accounts

Periodic Reviews

Members of Capital Counsel's investment team 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 team.

Review Triggers

A significant change in a client's financial situation or in the financial prospects of any issuer of securities held in a client's portfolio will result in a prompt review. 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 seven standard reports on a monthly basis. Quarterly reporting is available if preferred by the client. The seven standard reports are: Performance, Portfolio Appraisal, Purchase/Sale and Gain/Loss, Income & Expenses, Cash Ledger, Transaction Report and Realized Gains/Losses. Capital Counsel recommends that clients compare these reports to statements received from custodians of their assets. Clients who access our website can view this information 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 arrangements whereby it compensates third-parties for recommending clients to Capital Counsel. These arrangements provide that the recommending parties receive a fee based on a certain percentage of the investment advisory fee received by Capital Counsel from these referred clients. Neither the recommending parties nor any of their current or former employees, if any, are or were an officer, director, manager, member or employee of Capital Counsel and does not and did not render any investment advice to Capital Counsel or its clients. Clients solicited by the recommending parties 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 its clients. As such, Capital Counsel complies with Rule 206(4)-3 (the Cash Solicitation Rule) under the Investment Advisers Act of 1940, which requires, 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, which clearly describe the solicitation terms and compensation arrangement.

Custody

Account Statements

The custodian sends monthly or quarterly statements to clients, or to their accountant or other advisor if specifically requested by the client, and sends trade confirmations upon request. Clients should carefully review the statements they receive from their custodian. Capital Counsel is not a broker-dealer and does not take possession of client assets. However, Capital Counsel is deemed by the SEC to have custody of certain client assets due to client authorizations to transfer funds to third parties and due to our capacity as general partner of the Belle Meade limited partnerships. Our client assets are primarily custodied at BNY Mellon, N.A., a nationally recognized qualified custodian. Capital Counsel clients have the ability and authority to custody their assets at any recognized custodian of their choosing. 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.

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. and therefore has custody of the Belle Meade funds according to rule 206(4)-2 under the Investment Advisers Act of 1940. These funds are audited annually by Marks Paneth LLP, an independent accounting firm that is registered with and subject to regular inspection by the Public Company Accounting Oversight Board (PCAOB). Audited financial statements are sent to the investors in the funds within 120 days of December 31st, the end of the funds' fiscal year.

Capital Counsel has negotiated a benefit whereby BNY Mellon, N.A. contributes on behalf of Capital Counsel towards the payment to third-party service providers for providing to Capital Counsel systems, software and other technology-based products and services useful in its advisory business, indirectly beneficial to Capital Counsel's clients. The actual amount of the contribution (the "Benefits") to be paid on Capital Counsel's behalf is dependent upon the aggregate amount of Capital Counsel's client assets that become custodied with BNY Mellon, N.A.

The receipt by Capital Counsel of the Benefits creates an actual or potential conflict of interest for Capital Counsel. As with "soft dollars" discussed above under *Brokerage Practices*, the Benefits are expected to aid Capital Counsel in the management of its clients' assets. However, the Benefits are valuable and will relieve Capital Counsel of the obligation to pay for the acquired systems, software, research and other technology-based products out of its own resources. The advisory fees paid to Capital Counsel will not be reduced because of the Benefits.

Investment Discretion

Discretionary Authority for Trading

Capital Counsel's clients retain us on a discretionary basis to determine and direct execution of portfolio transactions 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. Certain clients have imposed limitations or restrictions on this authority such as directed brokerage and restrictions on particular securities.

Voting Client Securities

Proxy Voting 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”). Certain clients have imposed limitations or restrictions on this authority by retaining proxy voting authority or directing how their shares are voted for particular securities.

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. Capital Counsel is responsible for voting proxies where an agreement is silent. 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 afreidin@capcounsel.com. Although many proxy proposals can be voted in accordance with the guidelines listed (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 in the past and continue to 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.

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. There may be instances when proxies may not be voted in strict adherence to the Guidelines because proxy issues and the circumstances of individual companies are varied.

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.

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.