



montchanin

ASSET MANAGEMENT

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This brochure provides information about the qualifications and business practices of Montchanin Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at 302-652-3101. 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 Montchanin Asset Management, LLC is available at the SECs website at www.adviserinfo.sec.gov.

Part 2A Form ADV: material changes

Material Changes (since last annual update)

- This is the first year that we have been required to file a brochure in this format with the SEC.
- There have been no material changes to our business since our SEC filing last year.

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item 4: advisory business

4.A. Describe your advisory firm, including how long you have been in business and your principal owners.

- We are an independent investment management firm specializing in the separate account management of primarily U.S. large-cap equities for individual investors, families, charitable organizations and small businesses.
- We launched our firm on December 31, 1998.
- Our principle owners are:
 - William K. Dugdale, Portfolio Manager
 - Douglas C. McCoy, Chief Operating Officer
 - Carter H. Lee, CFA, Portfolio Manager

item 4: advisory business

4.B. Describe the types of advisory services you offer.

- We are active investment managers of primarily large-capitalized U.S. equities.
- We make all of our investment decisions internally based upon our proprietary, fundamental-based investment process.
- We do not use outside products such as mutual funds. We do not employ sub-advisors.
- We are Separate Account Managers. We manage each portfolio individually as opposed to a “pooled asset” approach.
- We follow a “core” investment style, investing in stocks that combine growth and value characteristics.

item 4: advisory business

4.C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.

- Over 75% of our client relationships are fully-discretionary in nature, meaning that we have full authority to determine, without obtaining specific client consent, which securities will be bought and sold in client accounts.
- Less than 25% of our client relationships are not fully-discretionary in nature. In these accounts, client restrictions on investing in particular securities or broad industries are common. So too, are large positions in low-cost, legacy equities.
- While our ideal client relationship is fully-discretionary in nature, prospective clients and existing clients may enter into a non-discretionary relationship with Montchanin if they choose to do so.

item 4: advisory business

4.D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.

- Not applicable. We do not participate in any wrap fee programs.

4.E. Disclose the amount of client assets that we manage on a discretionary basis and the amount of client assets we manage on a non-discretionary basis.

- Discretionary Assets Under Management (thru 2/28/11) = \$ 52,579,506.66
- Non-Discretionary Assets Under Management (thru 2/28/11) = \$ 16,115,419.89
- Total Assets Under Management (thru 2/28/11) = \$ 68,694,926.55

item 5: fees and compensation

5.A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.

- We are compensated on an annual fee basis.
- Annual fees are based on a percentage of each client's assets under management.
- Our annual management fee schedule is as follows:

<i>Account Value</i>	<i>Management Fee</i>
First \$2 million	1.00%
Next \$2 million	0.85%
Over \$4 million	0.75%
Minimum Annual Fee = \$2,500	

- Fees are negotiable depending on the source and the size of the account.

item 5: fees and compensation

5.B. Describe whether you deduct fees from clients' assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.

- We deduct our annual management fees from our clients' assets on a quarterly basis.
- In some instances, clients may be billed directly, but only if their custodian does not support the deduction of management fees directly from their account.
- We calculate our fees based upon our clients' total account balances as of the last day of each calendar quarter.

item 5: fees and compensation

5.C. Describe any other fees or expenses clients may pay in connection with your advisory services, such as a custodian fee or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.

- Other fees or expenses, that our clients could pay in connection with our services:
 - Trading expenses: Clients are charged a commission by the broker or custodian of record for each buy and sell transaction made in their account. Montchanin does not receive any monetary compensation for these transactions. We attempt to mitigate these expenses by encouraging the use of discount brokerages as much as possible.
 - SEC transaction fees: small, yet unavoidable, transaction fees charged by domestic stock exchanges to recover costs incurred by the U.S. government.
 - Fees to 3rd Party Brokers: if a client self-directs the custody of their assets to a non-discount brokerage firm, the account may be subject to additional commissions or wrap fees charged by the self-directed broker. These fees are beyond our control.
 - Fund expenses: In general, we do not use outside mutual funds or sub-advisors, so this is rarely an issue. However, in non-discretionary accounts, clients may direct Montchanin to invest in outside mutual fund investments. These investments are subject to additional management fees and expenses that are beyond our control.
 - For more information about our brokerage practices, please review item 12 of this brochure.

item 5: fees and compensation

5.D. If your client either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.

- We deduct our management fees from our clients' accounts at the beginning of each calendar quarter.
- We calculate our quarterly management fee based upon the closing balance of each account through the last business day of the preceding calendar quarter.
- Both Montchanin and our clients may terminate our investment advisory agreement at any time.
- In the event of such termination, fees shall be prorated on a daily basis and any portion of any prepaid fees, shall be refunded within 3 business days of the termination of our investment advisory agreement.

item 5: fees and compensation

5.E. If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact.

- Montchanin does not receive any fees for the sale of securities or any other investment products including asset-based sales charges or service fees from the sale of mutual funds.
- We do not sell or recommend the sale of outside products.
- The only fee we receive is for our investment management services.

5.E.1. Explain that this practice presents a conflict of interest and gives you or your supervised persons an incentive to recommend investment products based on the compensation received, rather than on a client's needs. Describe generally how you address conflicts that arise, including your procedures for disclosing the conflicts to clients. If you primarily recommend mutual funds, disclose whether you will recommend "no load funds".

- Not applicable.
- We will disclose conflicts to current and prospective clients when they arise.

item 5: fees and compensation

5.E.2. Explain that clients have the option to purchase investment products that you recommend through other brokers or agents not affiliated with you.

- Not applicable. We do not recommend investment products to our clients.

5.E.3. If more than 50% of your revenue from advisory clients results from commissions and other compensation for the sale of investment products you recommend to your clients, including asset-based distribution fees from the sale of mutual funds, disclose that commissions provide your primary, or, if applicable, your exclusive compensation.

- Not applicable. Our compensation is 100% management fee based. In general, we do not sell or recommend mutual funds or any other outside products to our clients.

5.E.4. If you charge advisory fees in addition to commissions or markups, disclose whether you reduce your advisory fees to offset the commissions or markups.

- Not applicable. We do not charge commissions nor do we receive any compensation from commissions charged on client transactions by a custodian or broker-dealer.
- Our only source of compensation is our advisory fee.

Item 6: performance-based fees and side-by-side management

If you or any of your supervised persons accepts performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a client that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.

- Not applicable. We do not accept performance-based fees.
- The only fee that we charge is for our investment management services. Please review item 5 for a breakdown of our management fees.

item 7: types of clients

Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.

- We provide investment advice to high-net worth individuals, families, trusts, charitable organizations, pension plans and small businesses.
- Our minimum investment requirement is \$100,000.
- Our minimum annual management fee is \$2,500.
- We typically target accounts that are greater than \$250,000 in value.

item 8: methods of analysis, investment strategies and risk of loss

8.A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.

- The methods of analysis that we employ to manage client assets are primarily fundamental-based (i.e., “bottom-up” analysis). That said, we also employ some macroeconomic and technical analysis (i.e. “top-down”) to complement our core discipline.
- Bottom-Up Analysis: We spend approximately 80% of our overall analysis focusing on company-specific fundamental factors such as revenues, expenses, assets, and liabilities.
- Top-Down Analysis: We spend approximately 20% of our overall analysis focusing on “big picture” factors such as macroeconomic trends, geopolitical trends, industry cycles, fund flows, behavioral economics and technical data.
- Investment Strategies: Our goal is to maximize expected returns on actively managed large-cap U.S. equity portfolios, without taking undue risk. The strategies we use to achieve these goals are (1) stock selection, (2) sector selection, (3) diversification/focus, and (4) patience.
- Note: Investing in securities involves risk of loss that clients should be prepared to bear. Past performance is not indicative of future returns.

item 8: methods of analysis, investment strategies and risk of loss

8.B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

- Method of Analysis Risks
 - Bottom-Up: This form of analysis focuses almost exclusively on company-specific financial statements and business models. The goal of this evaluation is to measure a company's intrinsic (i.e., fair) value. The main risk of this strategy is that it does not consider external factors such as general economic trends that could influence the future performance of individual companies.
 - Top-Down: This form of analysis involves taking a much broader economic perspective to determine the most promising sectors in a given market. The main risk of this strategy is that, due to the informational efficiency of the global financial markets, macroeconomic mispricings (i.e., investment opportunities) either don't exist or don't exist for long before investors trade them away.
- Investment Strategy Risks
 - (i) Stock Selection: The most common form of active investment management. Stock selection involves building a portfolio of publicly traded equities that trade at a discount to their intrinsic values. The main risk with this investment strategy is that stock positions and weights will differ from the broader market. As a result, investors must accept a different return and risk levels than the market index.
 - (ii) Sector Selection: A strategy that consists of shifting exposure among sectors in an attempt to outperform the overall market. The risk to this approach is that it is highly dependent on the business cycle and external factors that can be highly unpredictable.
 - (iii) Diversification/Focus: We pride ourselves in our ability to build diversified, well-balanced portfolios without sacrificing the ability to fully understand what we own. Our typical portfolio consists of only 30-40 stocks. As a result, this strategy carries an above average level of company-specific risk relative to the market index.
 - (iiii) Patience: Common equity prices can be volatile in nature. The main risk with adopting a long-term investment strategy is that one's time horizon can expire before one's underlying investments reach their full value.
- Neither our method of analysis, nor our investment strategy involve significant or unusual risks, other than the inherent risks associated with investing in equity securities (i.e., the potential loss of principal).
- We do not employ frequent trading strategies. We try to minimize portfolio turnover as much as possible.

item 8: methods of analysis, investment strategies and risk of loss

8.C. If you recommend a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.

- We primarily invest in large-cap, domestic-based commonly traded equities. Our appropriate benchmark is the S&P 500.
- This type of security carries no unusual or significant risk, other than the inherent risk associated with investing in equity securities (i.e., the potential loss of principal).

item 9: disciplinary information

If there are legal or disciplinary events material to a client's or prospective client's evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.

- **Not applicable.**
- **Montchanin has never been involved in a legal or disciplinary event of any kind.**
- **None of our employees or management persons have ever been involved in a legal or disciplinary event that would be deemed material to a client's or prospective client's evaluation.**

9.A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which your firm or a management person

1. was convicted of, or pled guilty or nolo contendere ("no contest") to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;
 - **Not applicable.**
1. is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;
 - **Not applicable.**
1. was found to have been involved in a violation of an investment-related statute or regulation; or
 - **Not applicable.**
2. was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.
 - **Not applicable.**

item 9: disciplinary information

If there are legal or disciplinary events material to a client's or prospective client's evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.

- **Not applicable.**

9.B. An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which your firm or a management person

1. was found to have caused an investment-related business to lose its authorization to do business; or
 - **Not applicable.**
2. was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority
 - **Not applicable.**
 - (a) denying, suspending, or revoking the authorization of your firm or managed person to act in an investment-related business;
 - **Not applicable.**
 - (b) barring or suspending your firm's or a management person's association with an investment-related business;
 - **Not applicable.**
 - (c) otherwise significantly limiting your firm's or management person's investment-related activities; or
 - **Not applicable.**
 - (d) imposing a civil money penalty of more than \$2,500 on your firm or a management person.
 - **Not applicable.**

item 9: disciplinary information

If there are legal or disciplinary events material to a client's or prospective client's evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.

- **Not applicable.**

9.C. A self-regulatory organization (SRO) proceeding in which your firm or management person

9.C.1. was found to have caused an investment-related business to lose its authorization to do business; or

- **Not applicable.**

9.C.2. was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500.

- **Not applicable.**

item 10: other financial industry activities and affiliations

10.A. If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.

- Not applicable.

10.B. If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the forgoing entities, disclose this fact.

- Not applicable.

item 10: other financial industry activities and affiliations

10.C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how to address it.

1. Broker-dealer, municipal securities dealer or government securities dealer or broker
 2. Investment company or other pooled investment vehicle
 3. Other investment advisor or financial planner
 4. Futures commission merchant, commodity pool operator, or commodity trading advisor
 5. Banking or thrift institution
 6. Accountant or accounting firm
 7. Lawyer or law firm
 8. Insurance company or agency
 9. Pension consultant
 10. Real estate broker or dealer
 11. Sponsor or syndicator of limited partnerships
- Not applicable

item 10: other financial industry activities and affiliations

10.D. If you recommend or select other investment advisors for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.

- Not applicable.
- We do not recommend or select other investment advisors for our clients.

item 11: code of ethics, participation or interest in client transactions and personal trading

11.A. If you are an SEC-registered adviser, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your code of ethics to any client or prospective client upon request.

- Montchanin has adopted the CFA Institute's *Code of Ethics*:
 - Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession and other participants in the global capital markets.
 - Place the integrity of the investment profession and the interests of clients above their own personal interests.
 - Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
 - Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession.
 - Promote the integrity of and uphold the rules governing capital markets.
 - Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals
- We will provide a copy of our code of ethics to any client or prospective client upon request.

item 11: code of ethics, participation or interest in client transactions and personal trading

11.B. If you or a related person recommends to clients, or buys and sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflict of interest it presents.

- It is common for there to be overlap between securities that we recommend or buy and sell for our clients, and securities that our portfolio managers own in their personal accounts.
- In order to avoid any conflict of interest, we always give client transactions priority over the transactions of Montchanin portfolio managers or employees.
- Client transactions are also always given priority over transactions made on behalf of persons related to our portfolio managers, unless the related person is a fee-paying client, in which case the related person is treated the same as all of our other clients.

item 11: code of ethics, participation or interest in client transactions and personal trading

11.C. If you or a related person invests in the same securities (or related securities, e.g. warrants, options or futures) that you or a related person recommends to clients, describe your practice and discuss the conflicts of interest this presents and generally how to address the conflicts that arise in connection with personal trading.

- Our portfolio managers often invest in the same securities that we recommend to our clients.
- We believe that investing our personal capital alongside our clients' capital is appropriate, and serves to better align our interests with our clients interests.
- Where conflicts of interest generally arise are when portfolio managers are able to obtain a more favorable price in the purchase or sale of their personal investments at the expense of their clients.
- In order to avoid any conflict of interest, we always give client transactions priority over the transactions of Montchanin portfolio managers and employees.
- We also avoid conflicts of interest as a function of the asset class in which we primarily invest. Large-cap, domestic equities are highly liquid and immune to price manipulation attempts by small investors. The size of our buy and sell orders are immaterial relative to the amount of shares outstanding for each given security.
- In the rare instance when a buy and sell order involves a smaller, less liquid security, we avoid conflict of interests by giving clients transactions priority over the transactions of Montchanin portfolio managers and employees.

item 11: code of ethics, participation or interest in client transactions and personal trading

11.D. If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

- Where conflicts of interest generally arise are when portfolio managers place their transactions ahead of their client's transactions or are able to obtain a more favorable price in the purchase or sale of their personal investments at the expense of their clients.
- In order to avoid any conflict of interest, we always give client transactions priority over the transactions of Montchanin portfolio managers or employees.
- We also avoid conflicts of interest as a function of the asset class in which we invest. Large-cap, domestic equities are highly liquid and immune to price manipulation attempts by small investors. The size of our buy and sell orders are immaterial relative to the amount of shares outstanding for each given security.
- In the rare instance when a buy and sell order involves a smaller, less liquid security, we avoid conflict of interests by giving clients transactions priority over the transactions of Montchanin portfolio managers and employees.

item 12: brokerage practices

12.A. Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

- In the absence of a client-directed brokerage agreement, Montchanin has full authority to determine, without obtaining specific client consent, the broker or dealer to be used.
- Some of the factors considered in selecting brokers and determining the reasonableness of their compensation are execution speed, execution price, quality of research, industry reputation, and commission rate.

item 12: brokerage practices

12.A.1. Research and Other Soft Dollar Benefits: If you receive research or other products or services other than execution from a broker-dealer or third party in connection with client securities transactions (“soft dollar benefits”), disclose your practices and discuss the conflicts of interest they create.

- We give clients the option of selecting their own broker-dealer or custodian.
- In the absence of a client-directed brokerage arrangement, we reserve full discretion to determine the broker or dealer to be used without obtaining specific client consent.
- Some of the factors considered in selecting a broker or dealer are execution speed, execution price, quality of research, industry reputation, and commission rate.

12.A.1a. Explain that when you use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, you receive a benefit because you do not have to produce or pay for the research, products or services.

- We typically receive proprietary research from the brokers or dealers that we select in exchange for our clients’ brokerage commissions. When this occurs, this is a benefit for us because it means we do not have to pay for or develop the research report ourselves.
- Conflicts of interest generally arise when soft dollar benefits gained from client securities transactions, are not used to benefit clients, or are applied unevenly among a client base.

item 12: brokerage practices

12.A.1b. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving the research or other products or services, rather than on your clients' interest in receiving most favorable execution.

- Conflicts of interest may also arise if a portfolio manager selects a broker-dealer based upon a portfolio manager's interest in receiving the broker-dealer's research or services rather than the client's interest in receiving the most favorable execution.
- We avoid this conflict of interest by (i) only accepting soft dollar benefits that help us make better investment decisions for our clients, (ii) applying our investment decisions equally among our clients, and (iii) paying for proprietary research using our firm's own capital instead of relying on soft dollar funded research.

12.A.1c. If you may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying up), disclose this fact.

- In some instances, clients may pay commissions higher than those obtainable from other brokers because the benefits received by the client in the form of research and services outweighs the additional commission paid.

12.A.1d. Disclose whether you use soft dollar benefits to service all of your clients' accounts or only those that paid for the benefits. Disclose whether you seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the account generates.

- We use soft dollar benefits to service all of our clients' accounts. Knowledge and insight gained from broker research is applied to all Montchanin client accounts in a fair and even manner regardless of how the soft dollar credits were generated.

item 12: brokerage practices

12.A.1e. Describe the types of products and services you or any of your related persons acquired with client brokerage commissions (or markups or markdowns) within your last fiscal year.

- Over our last fiscal year, the only products or services that we acquired with client brokerage commissions were: (i) proprietary research, and (ii) access to information technology. These products and services helped us make better investment decisions for all of our clients.

12.A.1f. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for soft dollar benefits you received.

- Over the last fiscal year, the main procedures we used to select broker-dealers were (i) execution cost analysis, (ii) execution speed analysis, and (iii) quality of proprietary research received analysis.

item 12: brokerage practices

12.A.2. Brokerage for Client Referrals: If you consider, in selecting or recommending broker-dealers, whether you receive client referrals from a broker-dealer or third party, disclose this practice and discuss conflicts of interest it creates.

- Not applicable. We do not receive client referrals from our broker-dealers nor do we ever consider selecting a broker-dealer based upon their ability to provide client referrals.

12.A.2a. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving client referrals, rather than on your clients' interest in receiving most favorable execution.

- Prospective and existing clients should be aware that the incentive exists for investment managers to recommend a broker-dealer based upon the number of client referrals that a broker-dealer provides, instead of focusing on the clients' interest in receiving the most favorable execution.
- We attempt to avoid this conflict by (i) giving clients the option of selecting their own broker-dealer, (ii) assigning clients to discount broker-dealers in an effort to reduce commission expenses and improve execution speed, and (iii) keeping our relationship with our broker-dealers at arms length by paying for the majority of our third party research with our firm's capital.

12.A.2b. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for client referrals.

- Not applicable. We do not receive client referrals from our broker-dealers nor do we ever consider selecting a broker-dealer based upon their ability to provide client referrals.

item 12: brokerage practices

12.A.3. Directed Brokerage:

12.A.3a. If you routinely recommend, request or require that a client direct you to execute transactions through a specified broker-dealer, describe your practice or policy. Explain that not all advisers require their clients to direct brokerage. If you and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, describe the relationship and discuss the conflicts of interest it presents. Explain that by directing brokerage you may be unable to achieve the most favorable execution of client transactions, and that this practice may cost clients more money.

- We do not recommend, request or require that a client direct us to execute transactions through a specified broker-dealer. Instead, we give clients the option of selecting their own broker-dealer. If they choose not to select their own broker-dealer, we select an appropriate broker-dealer for them.
- We have no affiliation or economic relationship with a broker-dealer.
- In some cases, client-directed brokerage may cost clients more money because it prevents us from trying to achieve the most favorable execution.

item 12: brokerage practices

12.A.3b. If you permit a client to direct brokerage, describe your practice. If applicable, explain that you may be unable to achieve most favorable execution of client transactions. Explain that directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.

- As a convenience, we permit our clients to choose their own broker-dealer to custody their assets.
- Some clients prefer to direct their own brokerage, despite the fact that we explain to them that directed brokerage prevents us from being able to achieve the most favorable execution on their behalf, and could cost them more money (e.g., higher commissions, less favorable prices).

item 12: brokerage practices

12.B. Discuss whether and under what circumstances you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.

- We aggregate orders (i.e., group similar buy and sell orders together across multiple accounts for a single execution price) when we have the opportunity to do so.
- Aggregating orders allows us to capture the same execution price for all clients involved, and can have the effect of reducing overall client execution costs.
- Our use of order aggregation depends largely on the tax implications of our investment decision. Since the purchase of stocks alone does not trigger a taxable event, we tend to utilize aggregate orders more for buy transactions. For sell transactions, which do trigger taxable events, we tend to place orders on an account by account basis in an effort to maximize each client's after tax returns.

item 13: review of accounts

13.A. Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review and the titles of the supervised persons who conduct the review.

- Our portfolio managers review every one of our separately managed accounts in detail on a weekly basis.
- Due to our low client-to-portfolio manager ratio, the nature of these reviews is fairly in depth, and includes position, performance and cash flow analysis.
- Review are conducted by our Chief Equity Strategist, Sr. Portfolio Manager, and Jr Portfolio Manager.

13.B If you review client accounts on other than a periodic basis, describe the factors that trigger a review.

- Not applicable. We review all of our accounts on a frequent basis.

13.C Describe the content and indicate the frequency of regular reports you provide to your clients regarding their accounts. State whether these reports are written.

- We provide our clients with written statements of assets, realized gains/losses, performance, transactions, and our market outlook letter on a quarterly basis. We also give our clients the option of meeting with us in person at least once a year to review their account performance and discuss our market views.
- In addition, our clients receive written or electronic trade confirmations and monthly statements from their respective custodians.

item 14: client referrals and other compensation

14.A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflict of interest. For purposes of this item, economic benefits include any sales awards or other prizes.

- Not applicable. All of the advisory services and investment advice that we provide to our clients are generated from within our firm by our personnel.

14.B. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and compensation.

- In the event that a third party person refers business to Montchanin in exchange for direct or indirect compensation, it is our policy to fully disclose this arrangement to the prospective client.
- Montchanin currently pays a part-time contractor a direct commission for referring prospective clients who engage in an investment advisory relationship with our firm. This commission is fully disclosed to the prospective client.

item 15: custody

If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.

- We oversee and manage separate accounts for our clients, but we do not custody any of our clients' assets.
- Instead, all of our clients' assets are held by a qualified, third party custodian.
- Our clients receive account statements from their qualified custodians on a monthly basis. They also receive written or electronic confirmations from their qualified custodians of all buy and sell transactions that we make in their accounts.
- In addition to the above, we mail our clients an internally generated comprehensive review of their accounts on a quarterly basis. Included in this review are statements of assets, performance, realized gains and losses, and transactions.
- We encourage our clients to compare the statements they receive from their qualified custodian with those that they receive from Montchanin.

item 16: investment discretion

If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g. execution of a power of attorney).

- Most of our relationships involve full discretionary authority to manage accounts on behalf of our clients.
- However, this discretionary authority applies only to our stated investment strategy, asset class and method of analysis.
- As generally “long only” investors, we do not have full discretion to invest in certain securities or security derivatives without first obtaining written permission from our clients.
- As for our procedures, before accepting full discretionary authority to manage security accounts on behalf of our clients, we (i) meet with our clients in order to fully understand their risk and return objectives, and (ii) require our clients to enter into an “investment advisory” agreement with Montchanin, which defines the discretionary nature of our relationship.

item 17: voting client securities

17.A. If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC rule 206(4)-6. Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your voting policies and procedures upon request.

- All of our client relationships involve us accepting full discretionary authority to vote client securities. It is one of the services that we provide to our clients.
- If a client would prefer to vote their own securities, they may arrange to do so by request.
- One way we address conflicts of interest, is to vote all client securities in keeping with our clients' best interests.
- In addition, due to the size of our firm and the small number of shares that we represent relative to the shares outstanding in the marketplace, we cannot influence a vote, and as such, conflicts of interest as not a material issue.
- Clients may obtain information from our firm regarding how we voted their securities at any time by contacting us directly. They may also obtain a copy of our voting policies and procedures upon request.

item 17: voting client securities

17.B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.

- Not applicable. We typically have full discretion to vote client securities.
- In general, we receive and vote all of our clients' proxies and solicitations on their behalf.
- Our clients may contact us at any time with questions about a particular solicitation or vote by calling 302-652-3101.

item 18: financial information

18.A. If you require or solicit payment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.

- Not applicable.
- We do not require or solicit payment of fees to be paid 6 months or more in advance.

18.B. If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.

- Not applicable.
- There is no financial condition that is reasonably likely to occur that would impair our ability to meet contractual commitments to clients.

18.C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.

- Not applicable.

item 19: requirements for state-registered advisers

19.A. Identify each of your principal executive officers and management persons, and describe their formal education and business background. If you have supplied this information elsewhere in your form ADV, you do not need to repeat it in response to this item.

- Our biographies are as follows:

Carter H. Lee, CFA, Sr. Portfolio Manager, Chief Investment Strategist

Carter has over 14 years of experience in the investment industry. He earned his Chartered Financial Analyst (CFA) designation in 2007. Prior to joining Montchanin Asset Management in 2001, Carter served as a director at several financial services firms including Legg Mason, a \$1 trillion global asset management company headquartered in Baltimore, MD. Carter earned his post-baccalaureate certification in Finance and Accounting from the University of Pennsylvania's Wharton School of Business, and is a graduate of Washington & Lee University with a B.A in History.

William K. Dugdale, Sr. Portfolio Manager

Bill has more than 41 years of experience in the investment industry. Prior to founding Montchanin Asset Management, he was a Senior Vice President and member of the Board of Directors of Jennison Associates, an \$85 billion dollar investment advisory firm serving institutional clients. Bill has also served as a Managing Director at Edgewood Management Company, a New York-based investment advisor primarily serving individuals and institutions. He is a graduate of the University of Delaware with a B.S. in Economics.

Matthew D. Dinneen, Jr. Portfolio Manager, Equity Analyst

Matt joined Montchanin Asset Management in 2008. He recently passed the third and final level of the Chartered Financial Analyst (CFA) exam. He graduated from Northwestern University with a B.S. in Economics and Industrial Engineering.

Douglas C. McCoy, Operations & Development

Doug has over 14 years of experience in the investment industry. Prior to founding Montchanin Asset Management, Doug was President and Managing Director of Sodobri Enterprises, LLC. While at Sodobri Enterprises, his responsibilities included financial analysis and management of both equities and real-estate properties. Previously he was President and owner of Antlers Property Management in Steamboat Spring, Colorado, a real-estate management company.

item 19: requirements for state-registered advisers

19.B. Describe any business in which you are actively engaged (other than giving investment advice) and the appropriate time spent on that business. If you have supplied this information elsewhere in your Form ADV, you do not need to repeat it in response to this item.

- William Dugdale, Portfolio Manager, is on the Board of a privately held for-profit company called Micropore, Inc. The amount of time spent on this business is roughly 5 hours per week.
- Douglas McCoy, Chief Operating Officer, is actively engaged in a family owned company called *Across The Tracks*. The amount of time spent on this business is roughly 5 hours per week.

19.C. In addition to the description of your fees in response to Item 5 of Part 2A, if you or a supervised person are compensated for advisory services with performance-based fees, explain how those fees will be calculated. Disclose specifically that the performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

- Not applicable. We do not receive any compensation from performance-based fees.

item 19: requirements for state-registered advisers

19.D. If you or a management person has been involved in one of the events listed below, disclose all material facts regarding the event.

- (1) An Award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500 involving any of the following:
 - (a) An investment or an investment-related business activity;
 - (b) Fraud, false statement (s), or omissions;
 - (c) Theft, embezzlement, or other wrongful taking of property;
 - (d) Bribery, forgery, counterfeiting, or extortion; or
 - (e) Dishonest, unfair or unethical practices.
- Not Applicable.
- (2) An Award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:
 - (a) An investment or an investment-related business activity;
 - (b) Fraud, false statement (s), or omissions;
 - (c) Theft, embezzlement, or other wrongful taking of property;
 - (d) Bribery, forgery, counterfeiting, or extortion; or
 - (e) Dishonest, unfair or unethical practices.
- Not Applicable.

item 19: requirements for state-registered advisers

19.E. In addition to any relationship or arrangement described in response to Item 10.C of Part 2A, describe any relationship or arrangement that you or any of your management persons have with any issuer or securities that is not listed in Item 10.C of Part 2A.

- Not Applicable.

Part 2B of Form ADV: brochure supplement

Item 1: Cover Page

1.A.

Carter H. Lee, CFA
Montchanin Asset Management
10 W. Rockland Road
Montchanin, DE 19710
302-652-3101
Filing Date: March 31, 2011

1.B.

This brochure supplement provides information about Carter H. Lee that supplements the Montchanin Asset Management brochure. You should have received a copy of that brochure. Please contact Doug McCoy, Chief Operating Officer, if you did not receive Montchanin's brochure or if you have any questions about the contents of this supplement.

Additional information about Carter H. Lee is available on the SEC's website at www.adviserinfo.sec.gov.

Part 2B of Form ADV: brochure supplement

Item 2: Educational Background and Business Experience

Name: Carter H. Lee, CFA

Age: 39

Education: Washington & Lee University, B.A. in History

Wharton School of Business, University Pennsylvania, Post-Baccalaureate, Finance and Accounting

Professional Designation: Chartered Financial Analyst*

Business Background (Proceeding 5 Years): Chief Investment Strategist, Portfolio Manager, Montchanin Asset Management

** The Chartered Financial Analyst (CFA) designation is an international professional certification offered by the CFA Institute (formerly AIMR) to financial analysts who complete a series of three examinations. To become a CFA Charterholder candidates must pass each of three six-hour exams, possess a bachelor's degree from an accredited institution (or have equivalent education or work experience) and have 48 months of qualified, professional work experience. CFA Charterholders are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct.*

Part 2B of Form ADV: brochure supplement

Item 3: Disciplinary Information

If there are legal or disciplinary events material to a client's or prospective client's evaluation of the supervised person, disclose all material facts regarding those events.

- **Not applicable.**

3.A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which the supervised person

1. was convicted of, or pled guilty or nolo contendere ("no contest") to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;
 - **Not applicable.**
1. is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;
 - **Not applicable.**
1. was found to have been involved in a violation of an investment-related statute or regulation; or
 - **Not applicable.**
2. was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, the supervised person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.
 - **Not applicable.**

Part 2B of Form ADV: brochure supplement

Item 3: Disciplinary Information

3.B. An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which the supervised person

1. was found to have caused an investment-related business to lose its authorization to do business; or
 - Not applicable.
2. was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority
 - Not applicable.
 - (a) denying, suspending, or revoking the authorization of the supervised person to act in an investment-related business;
 - Not applicable.
 - (b) barring or suspending the supervised person's association with an investment-related business;
 - Not applicable.
 - (c) otherwise significantly limiting the supervised person's investment-related activities; or
 - Not applicable.
 - (d) imposing a civil money penalty of more than \$2,500 on the supervised person.
 - Not applicable.

Part 2B of Form ADV: brochure supplement

Item 3: Disciplinary Information

3.C. A self-regulatory organization (SRO) proceeding in which the supervised person

- **Not applicable.**

3.C.1 was found to have caused an investment-related business to lose its authorization to do business; or

- **Not applicable.**

3.C.2. was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500.

- **Not applicable.**

3.D. Any other proceeding in which a professional attainment, designation, or license of the supervised person was revoked or suspended because of a violation of rules relating to professional conduct. If the supervised person resigned (or otherwise relinquished his attainment, designation, or license) in anticipation of such a proceeding (and the adviser knows, or should have known, of such resignation or relinquishment), disclose the event.

- **Not applicable.**

Part 2B of Form ADV: brochure supplement

Item 4: Other Business Activities

- 4.A. If the *supervised person* is actively engaged in any *investment-related* business or occupation, including if the *supervised person* is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant ("FCM"), commodity pool operator ("CPO"), commodity trading advisor ("CTA"), or an associated *person* of an FCM, CPO, or CTA, disclose this fact and describe the business relationship, if any, between the advisory business and the other business.
- Not applicable.
- 4.A.1. If a relationship between the advisory business and the *supervised person's* other financial industry activities creates a material conflict of interest with *clients*, describe the nature of the conflict and generally how you address it.
- Not applicable.
- 4.A.2. If the *supervised person* receives commissions, bonuses or other compensation based on the sale of securities or other investment products, including as a broker-dealer or registered representative, and including distribution or service ("trail") fees from the sale of mutual funds, disclose this fact. If this compensation is not cash, explain what type of compensation the *supervised person* receives. Explain that this practice gives the *supervised person* an incentive to recommend investment products based on the compensation received, rather than on the *client's* needs.
- Not applicable.
- 4.B. If the *supervised person* is actively engaged in any business or occupation for compensation not discussed in response to Item 4.A, above, and the other business activity or activities provide a substantial source of the *supervised person's* income or involve a substantial amount of the *supervised person's* time, disclose this fact and describe the nature of that business. If the other business activities represent less than 10 percent of the *supervised person's* time and income, you may presume that they are not substantial.
- Not applicable.

Part 2B of Form ADV: brochure supplement

Item 5: Additional Compensation

If someone who is not a client provides an economic benefit to the supervised person for providing advisory services, generally describe the arrangement. For purposes of this Item, economic benefits include sales awards and other prizes, but do not include the supervised person's regular salary. Any bonus that is based, at least in part, on the number or amount of sales, client referrals, or new accounts should be considered an economic benefit, but other regular bonuses should not.

- Not applicable.

Item 6: Supervision

Explain how you supervise the supervised person, including how you monitor the advice the supervised person provides to clients. Provide the name, title and telephone number of the person responsible for supervising the supervised person's advisory activities on behalf of your firm.

- Carter H. Lee's communications with clients are monitored by our other 2 partners.
- All of Carter H. Lee's buy and sell orders are reviewed each day by Douglas C. McCoy, Chief Operating Officer.
- Carter H. Lee's managed accounts are also monitored and reviewed on a weekly basis by our portfolio management team (Matt Dinneen, Analyst; William K. Dugdale, CFA, Portfolio Manager).

Part 2B of Form ADV: brochure supplement

Item 7: Requirements for State-Registered Advisers

7A. In addition to the events listed in Item 3 of Part 2B, if the supervised person has been involved in one of the events listed below, disclose all material facts regarding the event.

7.A.1. An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500, involving any of the following:

- (a) an investment or an investment-related business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

- **Not applicable.**

7.A.2. An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:

- (a) an investment or an investment-related business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

- **Not applicable.**

7.B. If the supervised person has been the subject of a bankruptcy petition, disclose that fact, the date the petition was first brought, and the current status.

- **Not applicable.**

Part 2B of Form ADV: brochure supplement

Item 1: Cover Page

1.A.

William K. Dugdale
Montchanin Asset Management
10 W. Rockland Road
Montchanin, DE 19710
302-652-3101
Filing Date: March 31, 2011

1.B.

This brochure supplement provides information about William K. Dugdale that supplements the Montchanin Asset Management brochure. You should have received a copy of that brochure. Please contact Doug McCoy, Chief Operating Officer, if you did not receive Montchanin's brochure or if you have any questions about the contents of this supplement.

Additional information about William K. Dugdale is available on the SEC's website at www.adviserinfo.sec.gov.

Part 2B of Form ADV: brochure supplement

Item 2: Educational Background and Business Experience

Name: William K. Dugdale

Age: 66

Education: University of Delaware, B.S. in Economics

Business Background (Proceeding 5 Years): Portfolio Manager, Montchanin Asset Management

Part 2B of Form ADV: brochure supplement

Item 3: Disciplinary Information

If there are legal or disciplinary events material to a client's or prospective client's evaluation of the supervised person, disclose all material facts regarding those events.

- **Not applicable.**

3.A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which the supervised person

1. was convicted of, or pled guilty or nolo contendere ("no contest") to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;
 - **Not applicable.**
1. is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;
 - **Not applicable.**
1. was found to have been involved in a violation of an investment-related statute or regulation; or
 - **Not applicable.**
2. was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, the supervised person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.
 - **Not applicable.**

Part 2B of Form ADV: brochure supplement

Item 3: Disciplinary Information

3.B. An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which the supervised person

1. was found to have caused an investment-related business to lose its authorization to do business; or
 - Not applicable.
2. was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority
 - Not applicable.
 - (a) denying, suspending, or revoking the authorization of the supervised person to act in an investment-related business;
 - Not applicable.
 - (b) barring or suspending the supervised person's association with an investment-related business;
 - Not applicable.
 - (c) otherwise significantly limiting the supervised person's investment-related activities; or
 - Not applicable.
 - (d) imposing a civil money penalty of more than \$2,500 on the supervised person.
 - Not applicable.

Part 2B of Form ADV: brochure supplement

Item 3: Disciplinary Information

3.C. A self-regulatory organization (SRO) proceeding in which the supervised person

- **Not applicable.**

3.C.1 was found to have caused an investment-related business to lose its authorization to do business; or

- **Not applicable.**

3.C.2. was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500.

- **Not applicable.**

3.D. Any other proceeding in which a professional attainment, designation, or license of the supervised person was revoked or suspended because of a violation of rules relating to professional conduct. If the supervised person resigned (or otherwise relinquished his attainment, designation, or license) in anticipation of such a proceeding (and the adviser knows, or should have known, of such resignation or relinquishment), disclose the event.

- **Not applicable.**

Part 2B of Form ADV: brochure supplement

Item 4: Other Business Activities

- 4.A. If the *supervised person* is actively engaged in any *investment-related* business or occupation, including if the *supervised person* is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant ("FCM"), commodity pool operator ("CPO"), commodity trading advisor ("CTA"), or an associated *person* of an FCM, CPO, or CTA, disclose this fact and describe the business relationship, if any, between the advisory business and the other business.
- Not applicable.
- 4.A.1. If a relationship between the advisory business and the *supervised person's* other financial industry activities creates a material conflict of interest with *clients*, describe the nature of the conflict and generally how you address it.
- Not applicable.
- 4.A.2. If the *supervised person* receives commissions, bonuses or other compensation based on the sale of securities or other investment products, including as a broker-dealer or registered representative, and including distribution or service ("trail") fees from the sale of mutual funds, disclose this fact. If this compensation is not cash, explain what type of compensation the *supervised person* receives. Explain that this practice gives the *supervised person* an incentive to recommend investment products based on the compensation received, rather than on the *client's* needs.
- Not applicable.
- 4.B. If the *supervised person* is actively engaged in any business or occupation for compensation not discussed in response to Item 4.A, above, and the other business activity or activities provide a substantial source of the *supervised person's* income or involve a substantial amount of the *supervised person's* time, disclose this fact and describe the nature of that business. If the other business activities represent less than 10 percent of the *supervised person's* time and income, you may presume that they are not substantial.
- Not applicable.

Part 2B of Form ADV: brochure supplement

Item 5: Additional Compensation

If someone who is not a client provides an economic benefit to the supervised person for providing advisory services, generally describe the arrangement. For purposes of this Item, economic benefits include sales awards and other prizes, but do not include the supervised person's regular salary. Any bonus that is based, at least in part, on the number or amount of sales, client referrals, or new accounts should be considered an economic benefit, but other regular bonuses should not.

- **Not applicable.**

Item 6: Supervision

Explain how you supervise the supervised person, including how you monitor the advice the supervised person provides to clients. Provide the name, title and telephone number of the person responsible for supervising the supervised person's advisory activities on behalf of your firm.

- **William K. Dugdale's communications with clients are monitored by our other 2 partners.**
- **All of William K. Dugdale's buy and sell orders are reviewed each day by Douglas C. McCoy, Chief Operating Officer.**
- **William K. Dugdale's managed accounts are also monitored and reviewed on a weekly basis by our portfolio management team (Matt Dinneen, Analyst; Carter H. Lee, CFA, Portfolio Manager)**

Part 2B of Form ADV: brochure supplement

Item 7: Requirements for State-Registered Advisers

7A. In addition to the events listed in Item 3 of Part 2B, if the supervised person has been involved in one of the events listed below, disclose all material facts regarding the event.

7.A.1. An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500, involving any of the following:

- (a) an investment or an investment-related business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

- **Not applicable.**

7.A.2. An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:

- (a) an investment or an investment-related business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

- **Not applicable.**

7.B. If the supervised person has been the subject of a bankruptcy petition, disclose that fact, the date the petition was first brought, and the current status.

- **Not applicable.**

Part 2B of Form ADV: brochure supplement

Item 1: Cover Page

1.A.

Matthew D. Dinneen
Montchanin Asset Management
10 W. Rockland Road
Montchanin, DE 19710
302-652-3101
Filing Date: March 31, 2011

1.B.

This brochure supplement provides information about Matthew D. Dinneen that supplements the Montchanin Asset Management brochure. You should have received a copy of that brochure. Please contact Doug McCoy, Chief Operating Officer, if you did not receive Montchanin's brochure or if you have any questions about the contents of this supplement.

Additional information about Matthew D. Dinneen is available on the SEC's website at www.adviserinfo.sec.gov.

Part 2B of Form ADV: brochure supplement

Item 2: Educational Background and Business Experience

Name: Matthew D. Dinneen

Age: 27

Education: Northwestern University, B.S. in Economics and Industrial Engineering

Business Background (Proceeding 5 Years): Analyst and Jr. Portfolio Manager, Montchanin Asset Management (June 2008 – present); Matt passed Level III of the CFA examination in August of 2010. He is expected to receive the CFA designation after he fulfills his professional work experience requirement; Matt was a college student prior to joining Montchanin.

** The Chartered Financial Analyst (CFA) designation is an international professional certification offered by the CFA Institute (formerly AIMR) to financial analysts who complete a series of three examinations. To become a CFA Charterholder candidates must pass each of three six-hour exams, possess a bachelor's degree from an accredited institution (or have equivalent education or work experience) and have 48 months of qualified, professional work experience. CFA Charterholders are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct.*

Part 2B of Form ADV: brochure supplement

Item 3: Disciplinary Information

If there are legal or disciplinary events material to a client's or prospective client's evaluation of the supervised person, disclose all material facts regarding those events.

- **Not applicable.**

3.A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which the supervised person

1. was convicted of, or pled guilty or nolo contendere ("no contest") to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;
 - **Not applicable.**
1. is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;
 - **Not applicable.**
1. was found to have been involved in a violation of an investment-related statute or regulation; or
 - **Not applicable.**
2. was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, the supervised person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.
 - **Not applicable.**

Part 2B of Form ADV: brochure supplement

Item 3: Disciplinary Information

3.B. An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which the supervised person

1. was found to have caused an investment-related business to lose its authorization to do business; or
 - Not applicable.
2. was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority
 - Not applicable.
 - (a) denying, suspending, or revoking the authorization of the supervised person to act in an investment-related business;
 - Not applicable.
 - (b) barring or suspending the supervised person's association with an investment-related business;
 - Not applicable.
 - (c) otherwise significantly limiting the supervised person's investment-related activities; or
 - Not applicable.
 - (d) imposing a civil money penalty of more than \$2,500 on the supervised person.
 - Not applicable.

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Item 3: Disciplinary Information

3.C. A self-regulatory organization (SRO) proceeding in which the supervised person

- **Not applicable.**

3.C.1 was found to have caused an investment-related business to lose its authorization to do business; or

- **Not applicable.**

3.C.2. was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500.

- **Not applicable.**

3.D. Any other proceeding in which a professional attainment, designation, or license of the supervised person was revoked or suspended because of a violation of rules relating to professional conduct. If the supervised person resigned (or otherwise relinquished his attainment, designation, or license) in anticipation of such a proceeding (and the adviser knows, or should have known, of such resignation or relinquishment), disclose the event.

- **Not applicable.**

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Item 4: Other Business Activities

- 4.A. If the *supervised person* is actively engaged in any *investment-related* business or occupation, including if the *supervised person* is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant ("FCM"), commodity pool operator ("CPO"), commodity trading advisor ("CTA"), or an associated *person* of an FCM, CPO, or CTA, disclose this fact and describe the business relationship, if any, between the advisory business and the other business.
- Not applicable.
- 4.A.1. If a relationship between the advisory business and the *supervised person's* other financial industry activities creates a material conflict of interest with *clients*, describe the nature of the conflict and generally how you address it.
- Not applicable.
- 4.A.2. If the *supervised person* receives commissions, bonuses or other compensation based on the sale of securities or other investment products, including as a broker-dealer or registered representative, and including distribution or service ("trail") fees from the sale of mutual funds, disclose this fact. If this compensation is not cash, explain what type of compensation the *supervised person* receives. Explain that this practice gives the *supervised person* an incentive to recommend investment products based on the compensation received, rather than on the *client's* needs.
- Not applicable.
- 4.B. If the *supervised person* is actively engaged in any business or occupation for compensation not discussed in response to Item 4.A, above, and the other business activity or activities provide a substantial source of the *supervised person's* income or involve a substantial amount of the *supervised person's* time, disclose this fact and describe the nature of that business. If the other business activities represent less than 10 percent of the *supervised person's* time and income, you may presume that they are not substantial.
- Not applicable.

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Item 5: Additional Compensation

If someone who is not a client provides an economic benefit to the supervised person for providing advisory services, generally describe the arrangement. For purposes of this Item, economic benefits include sales awards and other prizes, but do not include the supervised person's regular salary. Any bonus that is based, at least in part, on the number or amount of sales, client referrals, or new accounts should be considered an economic benefit, but other regular bonuses should not.

- **Not applicable.**

Item 6: Supervision

Explain how you supervise the supervised person, including how you monitor the advice the supervised person provides to clients. Provide the name, title and telephone number of the person responsible for supervising the supervised person's advisory activities on behalf of your firm.

- **Matthew D. Dinneen's communications with clients are monitored by the other two members of our portfolio management team (Carter H. Lee, CFA, Portfolio Manager; William K. Dugdale, Portfolio Manager).**
- **All of Matthew D. Dinneen's buy and sell orders are reviewed each day by Douglas C. McCoy, Chief Operating Officer and Carter H. Lee, CFA, Portfolio Manager**
- **Matthew D. Dinneen's managed accounts are also monitored and reviewed on a weekly basis by our portfolio management team.**

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Item 7: Requirements for State-Registered Advisers

7A. In addition to the events listed in Item 3 of Part 2B, if the supervised person has been involved in one of the events listed below, disclose all material facts regarding the event.

7.A.1. An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500, involving any of the following:

- (a) an investment or an investment-related business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

- **Not applicable.**

7.A.2. An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:

- (a) an investment or an investment-related business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

- **Not applicable.**

7.B. If the supervised person has been the subject of a bankruptcy petition, disclose that fact, the date the petition was first brought, and the current status.

- **Not applicable.**