

Form ADV Part 2A

Hendershot Investments, Inc.

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Date of Brochure: March 29, 2011

This Brochure provides information about the qualifications and business practices of Hendershot Investments, Inc. If you have any questions about the contents of this Brochure, please contact Ingrid R. Hendershot, CFA, Chairman, President and Chief Compliance Officer, at 703-361-6130 and/or ingrid@hendershotinvestments.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.

Hendershot Investments, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Hendershot Investments is also available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. **The CRD number for Hendershot Investments is 115472.**

Hendershot Investments, Inc. shall be referred to as "Hendershot Investments" in this document.

Item 2 – Material Changes

Annual Update

The Material Changes section of this brochure will be updated annually or when material changes occur since the previous release of the Firm Brochure

Material Changes Since Last Update

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 29, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

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

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Full Brochure Available

Currently, our Brochure may be requested by contacting us at 703-361-6130 or ingrid@hendersoninvestments.com. Our Brochure is also available on our web site www.hendersoninvestments.com, without charge.

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

Item 3 -Table of Contents

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

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Item 4 – Advisory Business

A. Firm Information

Hendershot Investments, Inc. (also referred to as “Hendershot Investments” or the “*firm*”) offers personalized investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and corporations or other business entities. Hendershot Investments is strictly a fee-only investment management firm. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships or other commissioned products. No commissions or finder’s fee in any form are accepted.

Hendershot Investments is a corporation formed under the laws of the Commonwealth of Virginia and is registered with the Securities and Exchange Commission as an investment adviser. Ingrid R. Hendershot, CFA and Charles L. Hendershot are the sole owners of Hendershot Investments. Ingrid holds 55% of the outstanding shares and Charles holds the remaining 45% of the shares. Hendershot Investments has been in continuous operations since June 1994.

B. Advisory Services Offered

Portfolio Management Services

Hendershot Investments provides discretionary portfolio management services where the investment advice provided is custom tailored to meet the needs and investment objectives of the client. Subject to any written guidelines or restrictions, which the client may provide, the firm is granted discretion and authority to manage the account. Accordingly, Hendershot Investments is authorized to perform various functions without further approval from the client. Such functions include the determination of securities to be purchased/sold, the amount of securities to be purchased/sold and the commission rates to be paid. Once the portfolio is constructed, Hendershot Investments provides continuous supervision and re-optimization of the portfolio as changes in market conditions and client circumstances may require.

Hendershot Investments shall never have custody of any client funds or securities, as the services of a qualified independent custodian will be used for these asset management services. The client always maintains asset control. Hendershot Investments places trades for clients under a limited power of attorney.

Hendershot Investments does not represent, warranty, or imply that the services or methods of analysis employed by the firm can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

Financial Planning Services

Hendershot Investments provides some financial planning services to certain clients in conjunction with the portfolio management services. A financial plan may include a review of a client’s net worth (including assets and liabilities), objectives, risk tolerance, risk capacity, cash

flow and expenses, income tax projections, review and analysis of fringe benefits, retirement forecast and probability analysis, educational funding analysis, and estate planning analysis. At the end of the process, the client will receive a report about the alternatives recommended and will have the option of utilizing Hendershot Investments to implement those plan recommendations. Hendershot Investments does not receive a separate fee for this service for existing clients. Non-clients may request the service and will be charged a fee as part of the Advisory Consulting Services described below. If the non-client subsequently becomes a client within three months, the fee will be waived or refunded through a credit to the first billing statement.

In performing its services, Hendershot Investments entrusts that the client will provide accurate information, and Hendershot Investments will not be obligated to verify any information received from the client or from the client's other professionals. The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendations from Hendershot Investments. Clients are advised that it remains their responsibility to promptly notify Hendershot Investments if there is ever any change in their financial situation during the financial planning process.

Advisory Consulting Services

Hendershot Investments offers consulting and research services, based on either a negotiated fixed fee or the firm's non-negotiable hourly rate of \$150, where the firm will provide a professional opinion on specific financial related area(s). Clients will be invoiced for the time spent upon completion of the services and the consulting fees will be due and payable by the client at that time.

Under this arrangement, the client acknowledges that they only desire advice on the specific financial area agreed upon to be reviewed and/or analyzed. Furthermore, client agrees to hold Hendershot Investments harmless from any liability arising out of any area(s) that Hendershot Investments has not reviewed.

Publication of a Newsletter

The firm offers an investment-related newsletter called "Hendershot Investments" to subscribers on a quarterly basis. The information contained in the publication can include, but is not limited to, investment strategies and/or information regarding investments. The subscriber is not expected to act on any of the information made available in the newsletter. Subscribers should contact their investment adviser representative or other financial services professional to discuss the suitability of instituting any of the strategies and/or the inclusion of any investment in their portfolio prior to implementation.

The newsletter is made available for an annual subscription fee of \$50. However, the firm will supply the newsletter at no additional charge to clients for whom it is providing portfolio management services to provide them with a better understanding of the investments made for their account. Transactions for clients occur prior to the publication of the newsletter. Subscribers pay in advance of receiving the first issue. Payment may be made by check at

either the time of the subscription request or upon being invoiced by Hendershot Investments. The subscriber may cancel the subscription at any time upon delivery of written notice to the firm. Where a subscriber terminates the subscription prior to the end of the term, the firm will refund a pro-rata share of the subscription fee charged. After the first year, the subscriber will be sent a renewal notice at the end of their subscription period.

C. Client Account Management

An initial meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which investment management may be beneficial to the client. Prior to engaging Hendershot Investments to provide investment advisory services, the client is required to complete a Confidential Client Information form. Based upon the input regarding the client's personal profile, investment goals and objectives, risk-tolerance, tax profile, liquidity needs and financial position, Hendershot Investments will formulate a long-term asset allocation strategy tailored to the client's specific needs.

The asset allocation strategy will specify the percentage of assets to be invested between equity, fixed-income securities and money market funds. Equities will generally be invested in a diversified portfolio of high-quality companies and/or mutual funds and exchange-traded funds to provide long-term growth while fixed-income investments will generally be laddered by maturity in high-quality corporate or municipal bonds, FDIC-insured CD's and/or U.S. Treasuries and/or invested in bond mutual funds or exchange-traded funds to provide steady income and overall diversification for the client's account. Money market funds will be used to meet the client's liquidity needs. The client may impose restrictions on investing in certain securities or types of securities.

Hendershot Investments provides continuous oversight of the client's investments with all investments monitored for performance relative to certain benchmarks.

D. Wrap Fee Programs

Hendershot Investments does not place client assets within any wrap fee programs. All management services are performed by Hendershot Investments on behalf of clients.

E. Assets Under Management

As of December 31, 2010, Hendershot Investments managed the following assets:

Discretionary Assets	\$117,385,352
Non-Discretionary Assets	\$0
Total	\$117,385,352

Item 5 – Fees and Compensation

A. Fees for Advisory Services

Hendershot Investments' fee for advisory services varies depending on the amount of assets managed by Hendershot Investments. On an annualized basis, Hendershot Investments' fees for portfolio management services are based on the following tiered fee schedule:

Assets Under Management	Annualized Fee
Assets less than or equal to \$499,999	1.00%
Assets above \$500,000	0.50%

However, Hendershot Investments' fees for asset management services are negotiable; therefore, arrangements with clients may differ from those stated above. Hendershot Investments may negotiate a lower advisory fee at its sole discretion based upon certain criteria (i.e., anticipated future earnings capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account compositions, pre-existing client, account retention, pro bono activities, etc.). In addition, the firm may, in limited circumstances and in its sole discretion, offer its investment management services to clients for a fixed fee. Where the firm charges a fixed fee, a determination will be made as to the applicable fee and this fee will be directly dependent on the size of the account, the nature of the services and/or the complexity of the portfolio. The fixed fee will be agreed upon between both parties and will be outlined in the agreement for services.

Hendershot Investments or the client may terminate the management agreement within five days of the date of acceptance without penalty to the client. After the five-day period, either party, upon written notice to the other, may terminate the management agreement. The management fee will be pro-rated for the quarter in which the cancellation notice was given and fees will be due and payable by the client. Refunds are not applicable as fees are payable in arrears.

B. Fee Billing

The annual fee for portfolio management services is billed quarterly in arrears based on the market value of the assets on the last day of the quarter. Fees will be assessed pro rata in the event the portfolio management agreement is executed at any time other than the first day of a calendar quarter. The client may choose to have Hendershot Investments either invoice the client directly for these portfolio management services or authorize in writing the qualified, independent custodian holding the clients' funds and securities to pay the fee from the client's account. In either case, Hendershot Investments will remit an invoice to the client showing the amount of the fee, the value of the client's assets on which the fee was based, and the specific manner in which the fee was calculated. It is the client's responsibility to verify the accuracy of

the fee calculation as the custodian will not determine whether the fee is properly calculated. All investment advisory fees debited from the client's account by the custodian will be clearly reflected on the client's brokerage statements that are prepared and sent to the client by the custodian.

C. Other Fees and Expenses Clients May Pay

Advice offered by Hendershot Investments may involve investment in mutual funds or exchange-traded funds. Clients are hereby advised that all fees paid to Hendershot Investments for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. Further, there may be transaction charges involved with purchasing or selling of securities. Hendershot Investments does not share in any portion of the brokerage fees/transaction charges imposed by the custodian holding the client funds or securities. The client should review all fees charged by mutual funds, Hendershot Investments, and others to fully understand the total amount of fees to be paid by the client. *Item 12-Brokerage Practices* further describes the factors that Hendershot Investments considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

D. Advance Fees

Hendershot Investments does not bill client fees in advance of services rendered.

E. Compensation for Sale of Securities

Hendershot Investments' supervised persons **do not** accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds

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

Hendershot Investments does not charge any performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a client) because of the potential conflict of interest. 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.

Item 7 – Types of Clients

Hendershot Investments provides services to a variety of client types. Clients may include individuals, trusts, estates, corporate pension and profit-sharing plans, charitable institutions, corporations and other business entities. Client relationships vary in scope and length of service.

Hendershot Investments imposes a minimum account size of \$250,000 in cash and/or securities in order to provide portfolio management services, but may waive this minimum at its discretion.

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

A. Method of Analysis

Hendershot Investments uses fundamental analysis in formulating investment advice and managing assets. Our disciplined and patient investment strategy generally results in long-term purchases although short-term trades may occur. More detail on our investment strategies and the sources of information we use to implement the strategies is described below.

Equity Investments

Since 1994, Hendershot Investments' investment philosophy has been to invest in high-quality, well-managed companies at reasonable valuations and hold them for the long term. Stocks, however, may be held for less than a year depending on valuation or other circumstances. We seek high-quality companies with durable competitive advantages as evidenced by: (a) differentiated products, which can be protected from competition by patents, copyright protection, effective advertising or other means; (b) economies of scale in the production, marketing, or maintenance of the company's products or services; (c) absolute cost advantages, such as obtaining raw materials at lower costs; (d) capital requirements at a level which make it impractical for other firms to enter the business; or (e) other sustainable competitive advantages identified by Hendershot Investments. Other fundamental investment attributes we seek for our equity investments include high returns on shareholders' equity, steady sales and earnings growth, strong and growing cash flows, low or manageable debt and solid balance sheets. We seek management teams which intelligently allocate the cash flows the business generates by using the cash to sensibly reinvest in the business, make strategic acquisitions to support future growth and/or return excess cash to shareholders through growing dividends and share repurchases. Indeed, many of the companies we own have raised their dividends for decades.

We find high-quality businesses through extensive research by scouring annual reports, SEC filings, company press releases, financial newspapers and magazines, and research materials prepared by others. After we find a great company, we independently determine its intrinsic value, thereby avoiding the pitfalls of herd-mentality investing. Quarterly earnings conference calls with management keep us abreast of corporate developments and give us insight into the heartbeat of corporate leadership.

As long-time students of the stock market, we have developed valuation models to assess the relative merits of high-quality companies. Our propriety valuation model uses the present value of future cash flows to determine a firm's intrinsic value along with a variety of other valuation metrics. Our number one rule on the buy side is "Don't overpay for a stock." Therefore, we wait patiently to invest until the stock is selling at a wide discount to its intrinsic value to provide us with a margin of safety. In general, we would rather pay a fair price for a great business than a great price for a fair business.

As Philip Fisher stated, “If the job has been done correctly when a stock is purchased, the time to sell is almost never.” We agree with that sentiment, and therefore, our portfolio turnover is low. There are three general conditions under which we sell stocks in our portfolio. First, if business fundamentals deteriorate, we will sell a stock. Second, if a stock becomes fully valued, we will trim our position and reinvest the proceeds in another stock with a higher expected return. Third, we may sell a stock if a much better investment opportunity is available.

Fixed-Income Investments

We view fixed-income securities as the conservative portion of our clients’ accounts. We typically buy and hold to maturity the fixed-income securities purchased for clients. We invest only in high-quality corporate and municipal bonds, FDIC-insured CDs and/or U.S. Treasuries to provide steady income and overall diversification. We use corporate rating services as a guide to the quality of a fixed-income instrument, but also do our own fundamental debt analysis on the corporate bonds we buy. As Ray DeVoe has said, “More money has been lost reaching for yield than at the point of a gun.” This explains why we are willing to forego yield to ensure safety of principal. We also generally ladder by maturity our clients’ fixed-income investments over a relatively short time period (3-5 years), which makes the investments less sensitive to changes in interest rates than long-term fixed-income investments.

Mutual Fund Investments

Hendershot Investments may invest its clients’ assets in mutual funds or exchange-traded funds. In selecting mutual funds and exchange-traded funds, Hendershot Investments considers both quantitative and qualitative factors, including the experience of the portfolio manager, the funds’ relative performance during market cycles, investment philosophy, asset allocation, expense ratio, portfolio turnover, and any other factors which may affect the performance and risk of the fund.

Other Investments

Hendershot Investments reserves the right to advise clients on any other type of investment that it deems appropriate based on the client’s stated goals and objectives. The firm may also provide advice on any type of investment held in a client’s portfolio at the inception of an advisory relationship. The method of analysis will depend on the type of investment.

All of the investments described above have certain risks of loss that are borne by the investor. These risks are described in the next section.

B. Risk of Loss

Through Hendershot Investments’ investment approach, every effort is made to ensure positive outcomes for clients. However, investing in securities involves risk of loss that clients should be prepared to bear. While our investment approach constantly keeps the risk of loss in mind, investors may still face the following investment risks:

Interest Rate Risk

Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

Market Risk

The price of a security, bond or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

Inflation Risk

When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

Currency Risk

Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as the exchange rate risk.

Reinvestment Risk

This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed-income securities.

Business Risk

These risks are associated with a particular industry or a particular company within an industry. For example, highly-regulated businesses face the risk that a change in government regulations could adversely impact the industry. For a particular company, a change in competitive position, a change in management or a change in management's capital allocation decisions could adversely impact the business.

Liquidity Risk

Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

Financial Risk

Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Hendershot Investments or the integrity of Hendershot Investments' management. Hendershot Investments and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

Item 10 – Other Financial Industry Activities and Affiliations

Hendershot Investments has no other financial affiliations.

Item 11 – Code of Ethics

Hendershot Investments has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Hendershot Investments must acknowledge the terms of the Code of Ethics annually, or as amended. A copy of the company's Code of Ethics is available to any client or prospective client upon request by contacting Hendershot Investments' Chief Compliance Officer at 703-361-6130.

Participation or Interest in Client Transactions

Hendershot Investments, or individuals associated with Hendershot Investments, may buy or sell – for their personal account(s) – investment products identical to those recommended to clients. It is the expressed policy of Hendershot Investments that no person employed by the firm may purchase or sell any security prior to a transaction being implemented for an advisory account, and, therefore, preventing such employees from benefiting from any transaction(s) placed on behalf of advisory accounts.

As these situations may represent a conflict of interest, Hendershot Investments has established the following restrictions in order to ensure its fiduciary responsibilities:

- Associated persons, or their immediate family members, shall not buy or sell securities for their personal portfolio(s) where their decision is derived, in whole or in part, by reason of the associated person's employment, unless the information is also available to the investing public on reasonable inquiry. No associated person of the firm shall prefer his or her own interest to that of the advisory client.
- All personal trading will be segregated from client trading and personal trading shall be restricted to just four weeks per year. Personal trading shall occur only during the five

business days following the date of distribution of the quarterly “Hendershot Investments” newsletter, unless approved in advance by the Chief Compliance Officer.

- Records will be maintained of all securities bought or sold by the firm, associated persons of the firm, and related entities. The Chief Compliance Officer will review these records on a regular basis.
- The firm requires that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
- Any individual not in observance of the above may be subject to termination.

Prohibition on Insider Trading

Hendershot Investments is in, and shall continue to be in, compliance with The Insider Trading and Securities Fraud Enforcement Act of 1988. Hendershot Investments’ policies and procedures prohibit the misuse of material nonpublic information and are designed to prevent insider trading by any employee. Specifically, Hendershot Investments has adopted a firm-wide policy statement setting out insider trading compliance by the firm, its associated persons, and other employees. This statement has been distributed to all associated persons and other employees of Hendershot Investments and has been signed and dated by each such person. A copy of such firm-wide policy is left with each associated person, and the original is maintained in a master file. Further, Hendershot Investments has adopted written supervisory procedures highlighting the steps that shall be taken to implement the firm-wide policy.

Confidentiality

As an employee of Hendershot Investments, associated persons may learn confidential information concerning Hendershot Investments and its clients. “Confidential information” generally means all information not publicly available (through the media or public records) and includes, but is not limited to:

- The composition of client portfolios
- Certain records, procedures and other proprietary information
- Family or personal information

It is the policy of Hendershot Investments that individuals employed by the firm must not disclose, directly or indirectly, any confidential information to anyone other than Hendershot Investments personnel and authorized professional advisors such as broker-dealers, attorneys, and accountants who need such information in order to discharge their professional services.

A copy of Hendershot Investment’s privacy policy notice will be provided to each client prior to, or contemporaneously with, the execution of the advisory agreement. Thereafter, Hendershot Investments will deliver a copy of the current privacy policy notice to its clients on an annual basis.

No Cross Trading

It is Hendershot Investments' policy that the firm will not engage in any principal or agency cross securities transactions for client accounts. Hendershot Investments will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

Item 12 – Brokerage Practices

The Custodian and Brokers We Use

Hendershot Investments does not maintain custody of your assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see *Item 15 – Custody*, below). Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. When recommending a broker, Hendershot Investments will attempt to minimize the total cost for all brokerage services paid by the client. However, it may be the case that the recommended broker charges a higher fee for a particular type of service, such as commission rates, than can be obtained from another broker. Clients may utilize the broker/dealer of their choice and have no obligation to purchase or sell securities through such broker as Hendershot Investments recommends.

We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see “*Your Brokerage and Custody Costs*”).

How We Select Brokers/Custodians

We seek to select a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check

- requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.)
 - Availability of investment research and tools that assist us in making investment decisions
 - Quality of services
 - Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
 - Reputation, financial strength, and stability
 - Prior service to us and our other clients
 - Availability of other products and services that benefit us, as discussed below (see *“Products and Services Available to Us From Schwab”*)

Your Brokerage and Custody Costs

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. This commitment benefits you because the overall commission rates you pay are lower than they would be otherwise. In addition to commissions, Schwab charges a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see *“How We Select Brokers/Custodians”*).

Products and Services Available to Us From Schwab

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab's support services.

Services That Benefit You

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions and custody of client assets. The investment

products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

Services That May Not Directly Benefit You

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting services that generally benefit only us.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

Hendershot Investments uses many of the services Schwab offers, especially their software and technology which permits us to more efficiently manage and administer your accounts. We also regularly take advantage of the educational conferences and events Schwab offers.

Our Interest in Schwab's Services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively

keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "*How We Select Brokers/Custodians*") and not Schwab's services that benefit only us. We have \$117,385,352 in client assets under management, and we do not believe that recommending our clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

Directed Brokerage

Some clients may instruct Hendershot Investments to use one or more particular brokers for the transactions in their accounts. Clients who may want to direct the firm to use a particular broker should understand that this might prevent Hendershot Investments from aggregating orders with other clients or from effectively negotiating brokerage compensation on their behalf. This arrangement may also prevent Hendershot Investments from obtaining the most favorable net price and execution. Thus, when directing brokerage business, clients should consider whether the commission expenses and execution, clearance, and settlement capabilities that they will obtain through their broker are adequately favorable in comparison to those that Hendershot Investments would otherwise obtain for its clients.

Aggregation of Orders

Where Hendershot Investments buys or sells the same security for two or more clients, Hendershot Investments may place concurrent orders with a single broker, to be executed together as a single "block" in order to facilitate orderly and efficient execution. Whenever the firm aggregates trades, each account on whose behalf an order is placed is determined in advance of order placement. Each account receives the average price of the overall order that will be allocated to all accounts participating in the aggregated trade.

Prior to entering the aggregated order, Hendershot Investments will prepare a written statement (the "Allocation Statement") clearly identifying the accounts that will participate in the transaction. Once the transaction is complete, Hendershot Investments then instructs the executing broker to calculate the average price for all shares so traded. Hendershot Investments employs the average pricing method in order to avoid having some clients pay more (or receive less) than other clients when their individual investment objectives and portfolio balances warrant investment (or divestiture) of identical securities. If the order is only partially filled, it shall be allocated in a fair and equitable manner based on the client's cash position. For buy transactions, the client with the most cash will receive the shares first and for sell transactions, the client with the least amount of cash will receive the sale proceeds first.

If an order must be allocated in a manner different from that in the Allocation Statement, all clients will receive fair and equitable treatment and a principal of Hendershot Investments will approve the written rationale for the departure. The written rationale must be prepared no later than one hour after the opening of the markets on the trading day following the day on which the order is executed.

Hendershot Investments will receive no additional compensation or remuneration of any kind as a result of the aggregation of client trades.

Trade Error Correction Procedures

On infrequent occasions, an error may be made in a client account. For example, a security may be erroneously purchased for a client account instead of sold. In these situations, Hendershot Investments generally seeks to rectify the error by placing the client account in a similar position as it would have been had there been no error. Depending on the circumstances, various corrective steps may be taken, including but not limited to, canceling the trade, adjusting an allocation, and/or reimbursing the account.

Item 13 – Review of Accounts

Frequency of Reviews

All accounts will be reviewed at least quarterly by Ingrid R. Hendershot, Chairman, President and Chief Compliance Officer of Hendershot Investments, for consistency with their investment strategy and performance. Special reviews of client portfolios will occur in the event of a significant deposit or withdrawal of cash or stock to a client's account and/or if communication is received from the client regarding a change in investment objective or a change in financial circumstances. Changes in economic or specific company conditions may also trigger reviews.

Financial plans are reviewed on an as-needed basis. Reviews may be triggered by changes in an account holder's personal, tax or financial status.

Frequency of Written Reports

All clients will receive from the brokerage firm a monthly statement that sets forth all transactions and activity in the account and details the market value for each investment position held in the account. These reports are sent directly from the custodian. Clients are also sent confirmations following each brokerage account transaction.

On a quarterly basis, clients receive a written report from Hendershot Investments which includes a letter reviewing the details of their individual account, a Portfolio Statement and Portfolio Performance Summary. The Portfolio Statement provides a summary of the security holdings, including the number of shares owned, the unit cost of each investment, the current value of each investment and the unrealized gain/loss for each security. The Portfolio Performance Summary provides the details on the performance of the account,

including the income earned in the account and changes in the capital appreciation each quarter, while adjusting for any contributions or withdrawals made in the account.

The Portfolio Performance Summary also shows the performance of the account year-to-date and since inception compared to relevant benchmarks, such as the S&P 500 Index (with dividends reinvested) and an appropriate Salomon Bond Index. Additionally, clients will receive the "Hendershot Investments" newsletter on a quarterly basis, which will comment on securities held under management so as to provide a better understanding of the individual investments made in the portfolios.

Annually or as requested, Hendershot Investments will provide each taxable client with a Realized Gains and Losses report to help them with their tax preparation. Other reports may also be periodically provided as requested by the client.

Item 14 – Client Referrals and Other Compensation

Economic Benefit Received by Hendershot Investments

Hendershot Investments, Inc. receives an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Client Referrals

Hendershot Investments may refer clients to various third parties to provide certain services necessary to meet financial goals. Likewise, Hendershot Investments may receive a client referral from a third party. In either case, no compensation is given or received. All referrals are a professional courtesy and in the interest of the client.

Item 15 – Custody

Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct Schwab to deduct our advisory fees directly from your account. Schwab or another custodian of your choice maintains actual custody of your assets. You will receive account statements directly from Schwab or another custodian at least quarterly and in most cases monthly. They will be sent to the email or postal mailing address you provided to Schwab or another custodian. You should carefully review those statements promptly when you receive them. We urge clients to compare their individual holdings and balances on the quarterly Portfolio Statement received from Hendershot Investments to the detail on the brokerage statement they receive from their custodian for the same time period. If the client is not receiving monthly brokerage statements either electronically or in hardcopy or if they notice

any discrepancies between our reports and the brokerage statements, please contact us at 703-361-6130. Our statements may vary slightly from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Generally, clients grant Hendershot Investments complete discretion over the selection and amount of securities to be bought or sold and the commission rates to be paid for their account without obtaining their prior consent or approval. With regard to commission rates, Hendershot Investments does not have the power to determine the rates paid, only the authority to negotiate with and accept or reject rates offered by various broker-dealers. Hendershot Investments does not receive any portion of the transaction fees or commissions paid by the client to the custodian.

Before assuming discretionary investment authority, Hendershot Investments requires the client to execute a limited power of attorney or initial a trading authorization on their brokerage account application. Hendershot Investments' investment authority may be subject to specified investment objectives, guidelines and/or conditions imposed by the client. For example, a client may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio, restrictions or prohibitions of transactions in the securities of a specific industry, and/or directed brokerage.

Item 17 – Voting Client Securities

In certain circumstances, and in accordance with the client's specific advisory agreement, Hendershot Investments shall vote proxies related to securities held by any client in a manner that is in the best interest of the client. Hendershot Investments shall consider only those factors that relate to the client's investment(s) or that are established by the client's written instructions. Such factors will include how its vote will economically impact and affect the value of the client's investment.

Proxy votes generally will be cast in favor of proposals that:

- maintain or strengthen the shared interests of shareholders;
- increase shareholder value;
- maintain or increase shareholder influence over the issuer's board of directors and management; and,
- maintain or increase the rights of shareholders.

Proxy votes generally will be cast against proposals having the opposite effect.

In voting on each and every issue, Hendershot Investments and its employees shall vote in a prudent and timely fashion and only after a careful evaluation of the issue(s) presented on the ballot.

In exercising its voting discretion, Hendershot Investments and its employees shall avoid any direct or indirect conflict of interest raised by such voting decision. Hendershot Investments will provide adequate disclosure to the client if any substantive aspect or foreseeable result of the subject matter to be voted upon raises an actual or potential conflict of interest to Hendershot Investments.

Hendershot Investments shall keep certain records required by applicable law in connection with its proxy voting activities for clients and shall provide proxy-voting information to clients upon their written or oral request. A copy of Hendershot Investment's proxy-voting policies is available to clients upon request.

Rather than having Hendershot Investments vote their proxies on their behalf, clients may retain their proxy voting rights or direct Hendershot Investments to vote their proxy in a particular solicitation by calling Hendershot Investments at 703-361-6130.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Hendershot Investments' financial condition. A balance sheet is not required to be provided because Hendershot Investments does not serve as custodian for client funds or securities and does not require pre-payment of fees. Hendershot Investments has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients.

Form ADV Part 2B

Hendershot Investments, Inc.

11321 Trenton Ct.
Bristow, VA 20136

Phone: 703-361-6130

www.hendershotinvestments.com

Date of Brochure Supplement: March 29, 2011

Education and Business Standards

Hendershot Investments requires high standards of education and business experience for key personnel involved in determining or providing investment advice to clients. Such standards involve a college education in accounting, finance or another related discipline as well as previous experience in the investment field. Hendershot Investments also encourages continued education such as an MBA and/or professional certification including a Chartered Financial Analyst (CFA) or Certified Public Accountant (CPA) designation.

Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals.

There are currently more than 90,000 CFA charterholders working in 135 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

High Ethical Standards

The CFA Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA charterholders to:

- Place their clients' interests ahead of their own
- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

Global Recognition

Passing the three CFA exams is a difficult feat that requires extensive study (successful candidates report spending an average of 300 hours of study per level). Earning the CFA charter demonstrates mastery of many of the advanced skills needed for investment analysis and decision making in today's quickly evolving global financial industry. As a result, employers and clients are increasingly seeking CFA charterholders—often making the charter a prerequisite for employment.

Additionally, regulatory bodies in 19 countries recognize the CFA charter as a proxy for meeting certain licensing requirements, and more than 125 colleges and universities around the world have incorporated a majority of the CFA Program curriculum into their own finance courses.

Comprehensive and Current Knowledge

The CFA Program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning.

The CFA Program curriculum is updated every year by experts from around the world to ensure that candidates learn the most relevant and practical new tools, ideas, and investment and wealth management skills to reflect the dynamic and complex nature of the profession.

To learn more about the CFA charter, visit www.cfainstitute.org

INGRID R. HENDERSHOT, CFA

HENDERSHOT INVESTMENTS, INC.

11321 Trenton Court, Bristow, VA 20136

703-361-6130

March 29, 2011

This Brochure Supplement provides information about Ingrid R. Hendershot that supplements the Hendershot Investments Brochure. You should have received a copy of that Brochure. Please contact Ingrid R. Hendershot at 703-361-6130 if you did not receive Hendershot Investments' Brochure or if you have any questions about the contents of this supplement.

Additional information about Ingrid R. Hendershot is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2- Educational Background and Business Experience

Ingrid R. Hendershot (born 1957) has more than 25 years of experience in the finance and investment profession. She has been Chairman, President and Chief Compliance Officer of Hendershot Investments, Inc. since 1994. She graduated from The Pennsylvania State University, earning a B.S. in Accounting with Highest Distinction Honors. She also holds an MBA in Finance and Investments from The George Washington University. In addition, she has earned the Certified Public Accountant (CPA), inactive, and Chartered Financial Analyst (CFA) designations. She has also passed the Series 65, Uniform Investment Adviser Law Exam. Ms. Hendershot is a member of the CFA Institute and the American Institute of Certified Public Accountants (AICPA). She is also a member of The CFA Institute of Washington, DC (serving as a past president and director of the society).

Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

Item 4- Other Business Activities

Ingrid R. Hendershot is not actively engaged in any other investment-related business or occupation.

Item 5- Additional Compensation

Ingrid R. Hendershot is compensated exclusively by Hendershot Investments, Inc. and receives no additional compensation from third parties. (See *Item 12-Brokerage Practices* in the attached Brochure for the economic benefit Hendershot Investments receives from Schwab.)

Item 6 - Supervision

Hendershot Investments monitors the advice provided to clients through frequent office interactions with employees as well as through a regular review of client files and reports to ensure the investment advice is consistent with the client's investment objectives and constraints. Ingrid R. Hendershot, Chairman, President and Chief Compliance Officer, is responsible for supervising advisory activities on behalf of Hendershot Investments. Ingrid R. Hendershot's contact information is 703-361-6130 or Ingrid@hendershotinvestments.com.

SUSAN CHRIST, CFA

HENDERSHOT INVESTMENTS, INC.

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703-361-6130

March 29, 2011

This Brochure Supplement provides information about Susan Christ that supplements the Hendershot Investments Brochure. You should have received a copy of that Brochure. Please contact Ingrid R. Hendershot at 703-361-6130 if you did not receive Hendershot Investments' Brochure or if you have any questions about the contents of this supplement.

Additional information about Susan Christ is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2- Educational Background and Business Experience

Susan Christ (born 1959) has more than 20 years of experience in the finance and investment profession. She has been Senior Vice President of Investments of Hendershot Investments, Inc. since 2004. She graduated from The University of Colorado at Boulder, earning a B.S. in Finance. In addition, she has earned the Certified Public Accountant (CPA), inactive, and the Chartered Financial Analyst (CFA) designations. She has also passed the Series 65, Uniform Investment Adviser Law Exam. Mrs. Christ is a member of the CFA Institute and the CFA Institute of Washington DC (serving as a past board member).

Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

Item 4- Other Business Activities

Susan Christ is not actively engaged in any other investment-related business or occupation.

Item 5- Additional Compensation

Susan Christ is compensated exclusively by Hendershot Investments and receives no additional compensation from third parties. (See *Item 12-Brokerage Practices* in the attached Brochure for the economic benefit Hendershot Investments, Inc. receives from Schwab.)

Item 6 - Supervision

Susan Christ is supervised by Ingrid R. Hendershot, Chairman, President and Chief Compliance Officer. She reviews Susan Christ's work through frequent office interactions as well as through a regular review of client files and reports to ensure investment advice is consistent with the client's investment objectives and constraints. Ingrid R. Hendershot's contact information is 703-361-6130 or Ingrid@hendershotinvestments.com.

CHARLES L. HENDERSHOT

HENDERSHOT INVESTMENTS, INC.

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703-361-6130

March 29, 2011

This Brochure Supplement provides information about Charles L. Hendershot that supplements the Hendershot Investments Brochure. You should have received a copy of that Brochure. Please contact Ingrid R. Hendershot at 703-361-6130 if you did not receive Hendershot Investments' Brochure or if you have any questions about the contents of this supplement.

Additional information about Charles L. Hendershot is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2- Educational Background and Business Experience

Charles L. Hendershot (born 1958) has been the Vice President and Treasurer of Hendershot Investments, Inc. since 1994. He served as Executive Vice President and Chief Financial Officer of Zimmerman Associates, Inc. (a government contractor) from 2002-2009. He graduated from The Pennsylvania State University, earning a B.S. in Accounting with High Honors.

Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

Item 4- Other Business Activities

Charles L. Hendershot is not actively engaged in any other investment-related business or occupation.

Item 5- Additional Compensation

Charles L. Hendershot receives no additional compensation from third parties. (See *Item 12- Brokerage Practices* in the attached Brochure for the economic benefit Hendershot Investments, Inc. receives from Schwab.)

Item 6 - Supervision

Charles L. Hendershot is supervised by Ingrid R. Hendershot, Chairman, President and Chief Compliance Officer. She reviews Charles L. Hendershot's work through frequent office interactions as well as through a regular review of client files and reports to ensure investment advice is consistent with the client's investment objectives and constraints. Ingrid R. Hendershot's contact information is 703-361-6130 or Ingrid@hendersoninvestments.com.