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This Brochure provides information about the qualifications and business practices of Carderock Capital Management, Inc. ("Carderock Capital"). If you have any questions about the contents of this brochure, please contact us at 301-951-5288 or jwm@carderockcapital.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. Carderock Capital is registered with the SEC as an investment adviser; please note that registration does not imply a certain level of skill or training.

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

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* A NOTE ABOUT THE FORMAT OF THIS BROCHURE: The SEC requires all investment advisers to organize their disclosure documents according to specific categories, some of which may not pertain to a particular adviser's business. Where a required category is not relevant to our business, we list the category and state that it does not apply.

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A. ADVISORY BUSINESS

1. Background

Founded in 1986, Carderock Capital is an independent, registered investment management firm serving the Washington, D.C. area. The principal owner of Carderock Capital is James "Skip" Mersereau, CFA, CIC.

2. Services Provided

Carderock Capital's primary business consists of providing investment supervisory services to clients directly and through other financial advisers. Although we have broad experience in managing personal and institutional investment portfolios over a series of markets and for a broad array of needs, our investment supervisory services are focused primarily on the active management of accounts balanced between holdings of stocks, bonds and cash reserves. All managed accounts have the right to elect "DO NOT BUY" and "DO NOT SELL" both by specific security and by security type or class.

We do not presently seek to manage accounts using alternative strategies, although exceptions may be made if circumstances warrant. In addition to investment supervisory services, we also offer custom consulting services on a project basis. Our specific services are as follows:

Direct Managed Separate Account Services

Carderock Capital's Direct Managed Account Services provide discretionary management of client accounts with at least \$ 500,000 in assets according to clients' long-term investment needs. These services typically begin with the development of a customized Investment Plan for the client. In developing an Investment Plan, Carderock Capital constructs a model of client and market data, which serves to illustrate the interaction between a client's objectives and constraints and the risk-reward alternatives of the market. Through an iterative process, Carderock Capital and the client review the model and arrive at an understanding regarding the investment of the client's assets. This understanding is then reflected in the Investment Plan.

Once the Investment Plan is approved, Carderock Capital implements the Plan in accordance with currently prevailing market conditions and expectations. Portfolios constructed by the firm include common stocks, and corporate, government and municipal bonds. Portfolios also may include other investments such as selected mutual fund shares, unit trusts and exchange-traded funds. Any one holding of common stock generally will be limited to 5 - 7% of the aggregate value of all common stocks and cash reserves in the account. Please see Section L below for information on custody of client accounts.

Once the investment portfolio is constructed, Carderock Capital continuously supervises and re-optimizes it as changes in market conditions and client circumstances require. Carderock Capital also supplies periodic reports which enable the client to monitor the account's progress towards the objectives established in the client's Investment Plan.

Managed Account Services Through Other Financial Advisers

Carderock Capital also provides its investment supervisory services to clients of financial planners, accountants, lawyers, insurance agents or other types of financial intermediaries (each called a "Financial Adviser"). The precise nature of these services and relationship between Carderock Capital and the client may vary from Financial Adviser to Financial Adviser. In all cases, the division of responsibilities between Carderock Capital and the Financial Adviser is clearly disclosed to the client.

As with the Direct Managed Account Services described above, the services offered through Financial Advisers typically involve the development of an Investment Plan for the client and the construction of a portfolio in accordance with that Plan. In certain cases where the equity portion of a client's account is valued at less than \$500,000, Carderock Capital may condition the acceptance and/or continuance of the management of the account on the use of a Model Portfolio. In selecting a Model Portfolio for the equity portion of a client's account, Carderock Capital will consult with both the client and the Financial Adviser who may impose reasonable restrictions and limitations on the implementation of the Model Portfolio to assure the appropriateness of its use.

After the client's investment portfolio is constructed, Carderock Capital continuously supervises and re-optimizes it as changes in market conditions, client circumstances and the Financial Adviser's policies dictate. Carderock Capital supplies the Financial Adviser (and, in some cases, the client) with periodic reports. Carderock Capital also consults with the Financial Adviser regarding the account's progress towards the objectives established in the client's Investment Plan.

Managed Strategy Account Services (FOLIOfn)

Carderock Capital offers simplified discretionary management services to accounts that do not meet the minimum size requirements for direct management. In this regard, Carderock Capital will invest clients' assets in one or more model portfolios (called "folios") that Carderock Capital creates and trades through an online platform operated by FOLIOfn. FOLIOfn is a registered broker-dealer that is not affiliated with Carderock Capital.

Clients' FOLIOfn accounts are invested in a combination of separate folios representing asset classes and sectors Carderock utilizes for clients:

Folios	Portfolio Description
CQ Reserves	Seeks income and stable values using Fixed Income Mutual Funds and ETFs consisting of Money Market Securities
CQ Taxable Fixed Income	Seeks Taxable Income using Fixed Income Mutual Funds and ETFs consisting of short to intermediate term U.S. Treasury notes and bonds.
CQ Tax-Advantaged Fixed Income	Seeks Tax-Advantaged Income using Fixed Income Mutual Funds and ETFs consisting of short to intermediate term State and Municipal notes and bonds.
CQ Equity Income	Seeks Total Return using High Yield Dividend Stocks as an alternative to Fixed Income.

CQ Growth	Seeks Capital Appreciation using Domestic U.S. Growth Stocks.
CQ International Growth	Seeks Capital Appreciation using Foreign Growth Stocks traded in the U.S.
Notes:	CQ = Carderock Quality

These separate folios are combined into mixes (called “Allocations”) in different proportions according to different risk profiles and tax circumstances suitable to specific clients. Client accounts are subscribed to one of six Allocations.

- **Strategic Conservation** seeks high current income with protection of purchasing power;
- **Strategic Income** seeks moderate, stable, but growing income;
- **Strategic Balance** seeks balance between capital growth and income, and balances exposures and objectives;
- **Strategic Total Return** seeks total returns comprising capital growth and moderate income;
- **Strategic Growth** seeks capital appreciation, but moderates volatility with balanced allocation;
- **Strategic Opportunity** seeks capital appreciation with minimal constraints.

Allocations are actively managed to control over-all asset exposure and the sector composition across Reserves (CQ Reserves), Fixed Income (CQ Taxable Fixed Income or CQ Tax-Advantaged Fixed Income – depending on account tax sensitivity established in the Investment Plan) and Equity (CQ Equity Income, CQ Growth, and CQ International Growth) consistent with trends and momentum of the markets as a whole and the track of Focus List of equity securities Carderock buys, holds, and sells for clients in aggregate. Note that CQ Growth generally represents 2/3rds to 4/5ths of Equity exposure. The balance of Equity exposure is split between CQ International (up to 30% of Equity exposure) and CQ Equity Income (up to 25% of Equity exposure).

Note that FOLIO^{fn}’s trade settlement and cash transfer rules and restrictions may curtail the availability of client funds. For example, Reserves held within an account Allocation require 3-day settlement prior to distribution. In addition, the process of rebalancing model portfolios through the mechanics of folios and allocations, taken together with the reinvestment of dividends, may result in a volume of individual reportable investment transactions that works best for clients filing electronic tax returns and may burden those that do not.

The use of model folios, which may include the acquisition of fractional shares, allows small accounts to enjoy the benefits of both diversification and direct ownership of securities. However, investing in this fashion also entails certain unique risks. Because

the trading of folios is done through the FOLIO*fn* Web site, Carderock Capital may not be able to place trades for client accounts if Carderock Capital cannot access the Web site or if the Web site is not functioning. Other risks include those relating to fractional ownership of securities that could compromise account values under certain circumstances and risks involved in FOLIO*fn*'s requirement that partial share positions be liquidated if a client wishes to transfer an account to a different custodian.

In order to use this service, client must have minimum aggregate assets of \$100,000 under management with Carderock Capital, and each FOLIO*fn* account must have a minimum value of \$50,000. Carderock may negotiate management fees and account minimums as the circumstances warrant.

Custom Consulting Services

In addition to the foregoing investment supervisory services, we also offer custom advisory services on a project basis. These may include, for example, an annual review of an unmanaged portfolio, the performance of a private company or portfolio estate valuation or related services.

3. *Assets Managed*

At the end of 2011, Carderock Capital had discretionary authority to manage accounts with assets totaling approximately \$ 310 million. We also managed approximately \$ 320,000 on a non-discretionary basis.

B. *FEES AND COMPENSATION*

Because Carderock Capital is not a broker, dealer or custodian, our income is derived solely from the advisory fees we charge to clients. The fees for our investment supervisory services are based on assets under management, while our consulting fees are charged on an hourly basis. Other investment advisers may charge higher or lower fees for services similar to those we provide.

Please note that our advisory fees may be subject to negotiation. Lower fees may be available depending on the size of the account, the fee schedule in use at the time the advisory relationship was formed, the nature of the portfolio (e.g., fixed-income-only accounts or asset allocation accounts investing only in mutual funds), the nature of the client (e.g., eleemosynary accounts) or other factors. Please also note that Carderock Capital may buy shares of no-load or load-waived open-end mutual funds, closed-end funds or exchange-traded funds for a client's account. In such cases, in addition to paying advisory fees to Carderock Capital, the client would pay a proportionate amount of the mutual fund's operating expenses, including management fees paid to the fund's adviser.

All managed accounts incur brokerage and other transaction costs and may incur custody fees. Please refer to Section I below for a discussion of the brokerage practices pertaining to different types of managed accounts.

Annual fees for the Direct Managed Account Services

1.00% on the First	\$ 2,000,000 of market value
0.80% on the Next	\$ 2,000,000 of market value, and
0.70% on All Over	\$ 4,000,000 of market value

Minimum Account Size:	\$ 500,000
Minimum Annual Fee:	\$ 5,000

Fees are billed quarterly, in advance, at one-fourth the annual rate, and are calculated based on the assets in the account at the end of the previous quarter. If a contract begins during a calendar quarter, fees for the initial partial quarter will be added to the bill for the first full quarter. Unless otherwise specifically agreed between Carderock Capital and the client, fees are automatically deducted from the managed account.

Contracts for the Direct Managed Account Services may be terminated at any time on 30 days' notice. If the contract is terminated other than at the end of a billing quarter, the advisory fees will be pro-rated based on the number of months in the quarter during which services were rendered, and unearned, prepaid advisory fees will be returned to the client. Partial months will be rounded up or down, depending on when in the month the advisory relationship terminated.

Annual fees for the Managed Account Services Through Other Financial Advisers

Our fees for these services are negotiated directly with the Financial Adviser, but generally do not exceed 1% annually of the assets under management, with a minimum annual fee of \$5,000. Fees may vary, depending on the division of responsibilities between Carderock Capital and the Financial Adviser and the factors identified above. In some cases, our fees may be combined with those of the Financial Adviser, to present a unified bill to clients; in other cases, Carderock Capital and the Financial Adviser bill the client separately. Clients may separately grant the same or another Financial Adviser authority to bill the account for unrelated services. Where these services and billings are integrated, the division of revenues between Carderock Capital and the Financial Adviser is always fully disclosed to the client. Unless otherwise specifically agreed between Carderock Capital and the client, the Client Agreement authorizes direct deduction of fees from the managed account when due.

As is the case with the Direct Managed Account Services, a contract for Carderock Capital's Managed Account Services Through Other Financial Advisers may be terminated at any time on 30 days' notice. If the contract is terminated other than at the end of a billing quarter, the advisory fees will be pro-rated based on the number of months in the quarter during which services were rendered, and unearned, prepaid advisory fees will be returned to the client. Partial months will be rounded up or down, depending on when in the month the advisory relationship terminated.

Annual Fees for Managed Strategy Account Services (FOLIOfn)

Our fees for this service are 1% of the assets under management. Where we manage all of a client's assets through FOLIOfn accounts, fees are charged monthly, in advance, at 1/12 the annual rate applied to the value of the account at the prior month's end. Fees are deducted directly from the FOLIOfn accounts. If the contract is terminated other than at the end of a month, the advisory fees will be pro-rated based on the number of days in the month during which services were rendered, and unearned, prepaid advisory fees will be returned to the client.

If a client obtains both Managed Strategy Account services and other services from Carderock, fees will be computed and charged in the manner described in the Direct Managed Account Services and the Managed Account Services Through Other Financial Advisers sections above.

In addition to the investment advisory fees, clients using this service must pay asset-based portfolio execution fees to FOLIOfn. FOLIOfn might charge additional fees under some circumstances, which are described in more detail in FOLIOfn's disclosure to clients and in Section I below.

Fees for Custom Consulting Services

Fees are charged on an hourly basis (in half-hour increments) at a rate of \$500 for investment professionals and \$125 for staff, with a minimum fee of \$500 per project. In addition, clients are charged for all out-of-pocket expenses Carderock incurs in connection with the consultation. Statements for consulting services are rendered as specified in the engagement agreement.

C. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

This item does not apply to our business.

D. TYPES OF CLIENTS

Carderock Capital generally provides investment advice to individuals, trusts, estates, pension and profit-sharing plans and charitable organizations.

While as noted in Section A.2 above, Carderock imposes both a minimum account size and a minimum annual fee for its various services, smaller accounts may be managed as part of a larger client relationship. Exceptions to the minimum fee for accounts managed through other Financial Advisers may be negotiated with those Financial Advisers.

E. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Carderock Capital's methods of analysis may include: charting and quantitative technical analysis; fundamental and cyclical reviews; and factor analyses. In addition, the firm gauges independent research opinion both for objective quality and timeliness. Equity issues are identified from the broader universe, their suitability for client use is measured, and approved issues are posted to the firm's Focus List according to specific utility. These investments may later find their way into portfolios on the basis of matching client needs with issues qualified by timing and attractiveness.

With opportunities in the bond markets driven more broadly by conditions in the economy and demand and supply in the specific offering markets, Fixed Income suitability and selection follows more generic terms rather than the pre-approval that generates a Focus List. Generic preferences include type of issue, characteristics and security of the underlying cash flows, collateral and security (if applicable), support, specific indenture terms, public rating service opinion, liquidity and experience. Corporate issues are restricted to those of firms on the Focus List. Accordingly selection is determined temporally on the basis of matching client requirements to qualified offerings identified in the market.

Carderock Capital invests client funds primarily in long-term strategies, but may from time to time enter positions with shorter-term expectations. Together, exposure to the markets and individual issues are actively managed and adjusted according to the risk profile of the client (set by target asset allocation in the Investment Plan). Portfolios are rebalanced continuously according to review of the over-all condition of the economies and markets and the firm's view of the prospects of the Focus List of stocks and offering markets for bonds as a whole. Active management of exposure means that Carderock expands exposure to stocks and bonds in expectation of and consistent with the development of trends in prices until a maximum consistent with a client's Investment Plan, and may then begin to curtail and reduce exposure as conditions reach extremes and begin to reverse. Exposure to Equity Assets seldom exceeds 95% or falls below 70% of Investment Plan expectations except at extremes. The same processes may be employed with individual stocks and bonds as well.

Please note that investing in securities involves risk of loss that clients should be prepared to bear.

Risks of stock investing

Stocks generally fluctuate in value more than bonds, and may decline significantly over short time periods. There is a chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The value of a stock may decline due to general weakness in the stock market or because of factors that affect a particular company or industry.

Risks of bond investing

Bonds have two main sources of risk. "Interest rate risk" is the risk that a rise in interest rates will cause the price of a debt security to fall. Securities with longer maturities typically suffer greater

declines than those with shorter maturities. "Credit risk" is the risk that an issuer of a debt security will default (*i.e.*, fail to make schedule interest or principal payments), potentially reducing income distributions and market values. This risk is higher when a security is downgraded or the perceived creditworthiness of the issuer deteriorates.

Foreign investing risks

Where foreign securities are acquired, client accounts may be adversely affected by global political and economic conditions, reduced liquidity or decreases in foreign currency values relative to the U.S. dollar.

F. DISCIPLINARY INFORMATION

This item does not pertain to our business.

G. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

This item does not pertain to our business.

H. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

1. Code of Ethics

Carderock Capital's Code of Ethics, which has been structured to comply with Rule 204A-1 under the Investment Advisers Act of 1940, describes certain standards of conduct required of the firm's supervised persons and focuses particular attention on personal trading by supervised persons and their related accounts. With regard to the standards of conduct, the Code of Ethics, among other things, affirms our fiduciary relationship with our clients and obligates us to carry out our duties solely in the best interests of clients and free from all compromising influences and loyalties. The Code also imposes limits on gifts and business entertainment, and emphasizes the importance of maintaining the confidentiality of sensitive information learned about clients.

A copy of our Code of Ethics available to clients and prospective clients upon request.

2. Participation or Interest in Client Transactions

This item does not pertain to our business.

3. Personal Trading

Carderock Capital's supervised persons generally are permitted to buy and sell for their own accounts the same securities that are bought and sold for client accounts. Subject to the restrictions described below, personal trading can occur at or around the time trades are placed for clients. This situation presents a potential conflict between the supervised persons' interests and the interests of our clients. In order to address this potential conflict, our Code of Ethics and related procedures ensure that the investment decisions we make for clients are in the clients' best interests and are independent from the securities holdings of the firm's supervised persons.

In this regard, the Code of Ethics contains provisions designed to prevent the firm's supervised persons from improperly trading on inside information, and it obligates these persons to report their trading activity to the company's chief compliance officer on a periodic basis. Except for trading in investment programs such as variable annuities, pension or 529 plans, etc., Carderock Capital's supervised persons are required to execute their personal trades through a bank or broker-dealer from whom Carderock Capital can receive electronic transaction and position reports. Personal equity trades in separate accounts generally must be placed "market-on-close" or "market on open" so any temporal discretion relative to client trades is lost to the process market makers use to open and/or close their books for the day, or must be effected as part of a folio traded through a window on the FOLIO^{fn} platform. This may result in higher or lower prices to Carderock Capital's supervised persons. Trades effected at other times of day are subject to special restrictions reasonably designed to ensure that supervised persons do not benefit at the expense of Carderock's clients.

Fixed-income trades for the accounts of Carderock Capital's supervised persons may be bundled with those placed for managed accounts as described in Section I. below. Carderock Capital generally discourages its supervised persons from investing in IPOs or private placements, and requires that all such transactions be pre-approved by the firm's CCO. (We do not buy IPOs or private placements for managed accounts.) Furthermore, except for securities included in folios traded through FOLIO^{fn}, the firm's supervised persons are generally prohibited from short-term trading in securities the firm buys for clients, although they are permitted to realize short-term losses as they occur.

I. BROKERAGE PRACTICES

1. Direct Managed Account Services and Managed Account Services Through Other Financial Advisers

Carderock Capital generally has discretion to select the type and amount of securities to be purchased and sold without specific client consent, although, as explained in Section A above, clients may prohibit or restrict the amount of particular securities that can be purchased for their accounts.

Most clients whose managed assets are custodied at a bank trust department also allow Carderock Capital to select the brokers and dealers who effect securities transactions for those clients' accounts. Carderock Capital has made arrangements with most broker-dealers it selects for a predetermined minimum discount or maximum per-share commission rate that will apply to all equity transactions done at each firm, although the rates may differ from firm to firm.

In selecting broker-dealers to execute client trades, Carderock endeavors to obtain "best execution" which may be defined as effecting trades in such a way as to maximize the value of client assets. Among the factors Carderock considers in selecting broker-dealers are:

- The applicable commission rates
- Rates quoted by competing broker-dealers

- Rates other institutional investors pay (based on available public information)
- The quality, accuracy and efficiency of trade executions
- The size and complexity of a particular transaction
- The creditworthiness of the broker-dealer
- The level of service provided by the broker-dealer, and
- The research services provided to Carderock.

Carderock Capital receives research services (most of which is unsolicited) from many brokers. These services (which are sometimes referred to as "soft-dollar services") include information on the economy, the securities markets, broad industry and security groups and individual securities issuers. We also receive materials on portfolio strategy and tactics, tax considerations and other investment matters. Although Carderock Capital has a policy of not committing a specific amount of commission business to any broker-dealer for research, the firm may pay commissions higher than those obtainable from other broker-dealers in order to ensure a steady flow of valuable research to use in the investment process.

The research products and services Carderock Capital obtains from broker-dealers may be used to service all of Carderock Capital's accounts, not just those accounts who pay for it, and Carderock Capital does not seek to allocate soft-dollar benefits to accounts proportionately to the commission credits the accounts generate. While our receipt of research in connection with client securities transactions benefits clients by enabling us to make more informed investment decisions, such arrangements might also be seen to confer a benefit on us, because we do not have to produce or pay for the research or other services we receive in this way. For this reason, the SEC requires us to disclose that we may have an incentive to select or recommend a broker-dealer based on our interest in receiving research rather than on clients' interest in receiving most favorable execution.

In order to protect clients' interests, Carderock Capital has adopted policies and procedures to ensure that our soft-dollar practices are structured in accordance with the safe harbor established under Section 28(e) of the Securities Exchange Act of 1934. In this regard, we take steps to confirm that client commissions are used only for services that provide lawful and appropriate assistance to us in carrying out our investment-decision-making responsibilities.

If a broker-dealer were to furnish us with a service that is useful both in making investment decisions for managed accounts and in performing administrative or other non-research functions, we would reasonably allocate the cost of the service between hard and soft dollars. In so doing, we would use portfolio commissions from managed accounts to pay for the portion or specific component which assists in the investment decision-making process, and use our own funds to pay for the portion or specific component which provides non-research assistance.

a. Directed Brokerage

Certain clients direct Carderock Capital to effect all trades on their behalf with or through designated broker-dealers. Such clients usually elect to custody their accounts with the

designated broker-dealer as well. In these cases, Carderock may not be able to secure the lower commission rates that might have been obtained elsewhere. In addition, trades effected through a designated broker-dealer may occur at prices that are less advantageous than the price available through broker-dealers Carderock Capital would have selected. Finally, directed trades may cost client more because such trades will not be eligible to participate in bundled transactions (described below) and shall be effected after bundled trades are effected for clients who have authorized us to select the broker-dealer.

In the event brokers receiving directed trades also provide Carderock with research, Carderock may use that research for the benefit of all its managed accounts.

b. Suggestion of Broker

Carderock Capital may assist clients who wish to avoid the cost of bank trust custody in selecting a broker-dealer to hold account assets and execute trades. In such cases, Carderock Capital typically encourages clients to select a discount brokerage firm.

c. Bundling of Trades

In order to improve the quality of executions, Carderock Capital may aggregate orders to buy or sell a particular issue on behalf of all clients who have authorized Carderock Capital to select broker-dealers for their trades. Such bundled orders are typically more efficient for a broker-dealer to execute and can be completed at lower cost than trades entered separately. Where the aggregated order is executed in a series of transactions at various prices on a given day, each participating client's proportionate share of the order will reflect the average price paid or received with respect to the total order. As noted in Section H above, fixed-income orders for the accounts of our employees may be combined with those for our clients; however, no allocations will be made to employees unless and until all client orders are filled.

Where the amount of securities available is insufficient to satisfy the volume or price requirements for the participating client portfolios, Carderock Capital will allocate the available securities to those portfolios on a *pro rata* basis. Because a *pro rata* allocation may not always accommodate all facts and circumstances, adjustments in the allocation may be made: (i) to eliminate de minimis positions; and/or (ii) to reallocate in light of a participating portfolio's characteristics (e.g., available cash, industry or issuer concentration, duration, credit exposure, custody etc.).

Please note that it is not always possible for us to bundle orders for all clients who have authorized us to select broker-dealers for their trades. For example, where Carderock Capital's portfolio managers reach investment decisions with respect to a particular security at different times, client transactions may be effected at different prices and on different days. Because we manage accounts on an individual as opposed to collective basis, the timing or nature of action by the firm may differ from account to account.

2. Managed Strategy Account Services (FOLIOfn)

As indicated in Section A above, all trading for Managed Strategy Accounts is done through FOLIO*fn*, a registered broker-dealer that is not affiliated with Carderock Capital. FOLIO*fn*'s window trade system allows us to buy and sell entire portfolios of certain types of securities for clients in a single transaction; to place orders in dollars rather than shares; and to buy and sell whole shares as well as fractional shares. FOLIO*fn* typically conducts two window trades a day, but may conduct one window trade in certain circumstances, such as where the markets are open for less than a full day.

Changes to model folios or strategic allocations (of which the folios are components) are typically executed in the first window trading session after we decide to make the change. At that time, FOLIO*fn* either will internally match all the orders it has received during the window and will execute those matched orders between the "bid" and "ask" prices, or will forward the orders received to various market centers for execution. FOLIO*fn* may execute unmatched orders for odd lots and fractional shares using its own inventory of securities.

In unusual circumstances, FOLIO*fn* will not finish processing orders from a morning window until after the afternoon window closes. In such cases, we will be unable to place orders for clients' accounts in the afternoon window. There also may be times when window trades are delayed or cancelled because of quote vendor failures, computer failures or events affecting the markets.

In addition to trading client securities through the window trading system, Carderock Capital also effects market, limit and stop-limit orders through FOLIO*fn*. (Note that not all securities are eligible for the window trading system.) FOLIO*fn* charges commissions on each market, limit or stop-limit order, whereas it charges an asset-based fee of 40 basis points for trades effected through the window trading system. (Lower fees may be charged to accounts with higher asset balances.) Carderock Capital's managed accounts may incur an additional nominal charge per transaction where certain types of securities are traded through FOLIO*fn*'s window trading system.

The FOLIO*fn* trading platform provides certain brokerage and account management tools that Carderock Capital will use in connection with the FOLIO*fn* accounts. The platform also makes certain research tools available. We do not at this time plan to use such tools, but if we did, we would use them in the management of all client accounts, not just the FOLIO*fn* accounts.

J. REVIEW OF ACCOUNTS

With the exception of the Managed Strategy (FOLIO*fn*) accounts, Carderock reviews its managed accounts continuously. These reviews include an examination of client portfolios in light of the economy, the markets and individual securities, as well as with respect to client needs and objectives. Each portfolio is assigned a specific portfolio manager and an alternate manager to ensure continuous oversight by a professional familiar with each client's objectives. In conducting their reviews, the portfolio managers evaluate the relative attractiveness of common stocks, bonds and cash reserves and adjust client portfolios when the managers believe that doing so will enhance the probability of realizing a client's investment goals.

Reviews are conducted by James Mersereau, President and CCO, and Daniel Kane, Vice President, Portfolio Manager and Secretary.

In reviewing Managed Strategy Accounts, Carderock uses FOLIO*fn*'s automated systems to assure automatic re-investment of income and to maintain strategic allocations. Allocations are reviewed at least quarterly, but more typically on a monthly basis. Folio models are reviewed every one-to-two weeks, and interim reviews are conducted if the circumstances warrant. Cash balances outside clients' strategic allocations are reviewed every two weeks, to ensure maintenance of balances sufficient to meet client distributions and pay expenses, as well as investment of new client contributions. Mr. Mersereau conducts these reviews.

Carderock Capital communicates with its clients through a range of written reports, telephone calls, letters and client meetings. The frequency and type of communication varies, depending on the type of management service provided and the client's needs and desires.

Carderock Capital provides its Direct Managed Account clients with written quarterly portfolio appraisals, diversification reports, itemizations of purchases and sales during the reporting period and year-to-date summaries of capital gains and losses. Reports for clients receiving Managed Account Services Through Other Financial Advisers are prepared at a frequency and of a nature consistent with the negotiated arrangement.

Carderock Capital provides statements to Managed Strategy Accounts (FOLIO*fn*) by exception, subject to a nominal separate negotiated charge.

In addition to reports supplied by Carderock Capital, all clients also receive monthly or quarterly statements for each account from the custodian holding their assets. These reports disclose the amount of funds and each security in the account at the end of the reporting period and a list of all transactions in the account during the period. FOLIO*fn* delivers all documents to Managed Strategy Account Services clients in electronic format, unless the client specifically requests hard copies. FOLIO*fn* may charge additional fees to any client requesting paper documents.

K. CLIENT REFERRALS AND OTHER COMPENSATION

As explained in Section A above, Carderock may provide its investment supervisory services through other Financial Advisers. In some of these cases, Carderock charges a combined fee for both its and the Financial Adviser's services, and it pays a portion of that fee over to the Financial Adviser. Although such payments are made in exchange for specific consulting and administrative services the Financial Adviser renders to the client, the fees might also be deemed to encompass payment for the Financial Adviser's referral of the client to Carderock Capital. All arrangements of this nature are entered into solely at the client's election after full disclosure. These arrangements also are structured to comply with Rule 206(4)-3 under the Investment Advisers Act of 1940.

L. CUSTODY

All client assets are held by a qualified custodian, which may be a bank trust department or broker-dealer. Carderock periodically reviews clients' custody relationships to ascertain their

effectiveness, responsiveness and costs and consults with clients about same. Carderock does not, however, accept responsibility for the actions of a client's custodian.

The qualified custodians send at least quarterly account statements to clients. We urge clients to review those statements carefully and to compare the information in such statements with the information contained in any account statements clients may receive from us.

M. INVESTMENT DISCRETION

As disclosed in Section A.2 and 3 above, Carderock Capital typically accepts discretionary authority to manage securities accounts on clients' behalf. This authority is documented in the advisory contract between Carderock Capital and clients.

N. VOTING CLIENT SECURITIES

As a matter of firm policy, Carderock Capital does not vote proxies for client securities. Nor do we take action on behalf of client accounts with regard to legal matters, including securities class actions with respect to clients' investments or the issuers thereof. However, clients may contact us by phone or in writing if they have questions about any particular proxy issue or class action.

We understand that clients receive proxies and other solicitations directly from their custodian or a transfer agent.

O. FINANCIAL INFORMATION

This item does not apply to our business.



BROCHURE SUPPLEMENT

This Brochure Supplement, dated March 24, 2011, provides information about Carderock Capital's portfolio managers, James Williams "Skip" Mersereau and Daniel Alan Kane. You should consider this information in addition to the information set forth in the main part of Carderock Capital's Brochure. If you have any questions about this Supplement, please contact us at 301-951-5288 or jwm@carderockcapital.com.

Additional information about Messrs. Mersereau and Kane is available at the SEC's website at www.adviserinfo.sec.gov.

James Williams "Skip" Mersereau.

Educational Background and Business Experience

Mr. Mersereau joined Carderock Capital in 1986 and assisted in its formation. He currently serves as President, Chief Compliance Officer, Portfolio Manager and Securities Analyst at the firm. Prior to joining Carderock Capital, Mr. Mersereau was an Assistant Vice President, corporate lending, and loan review at Riggs National Bank (Washington, D.C., 1983 to 1986), and a corporate intern in the sales and municipal bond departments at Merrill Lynch (Washington, D.C., 1979 to 1980).

Mr. Mersereau received his BA, with honors, from Vanderbilt University in 1979 and his MBA, with honors, from the Kogod School of Business, American University, in 1983. He is Chartered Financial Analyst, CFA Institute, (1990), Chartered Investment Counselor, Investment Adviser Association,¹ (1995) and a Member of both the CFA Institute and the Washington Association of Money Managers. He also serves on a number of boards in the Washington area. He was born in 1957.

Disciplinary Information

None

Other Business Activities

None

Additional Compensation

None

Supervision

Mr. Mersereau is the Chief Compliance Officer of Carderock Capital. His activities are generally supervised in accordance with the firm's compliance procedures, by Daniel Kane. Mr. Kane, whose biographical information is set forth below, can be reached at 301-91-5288 or dak@carderockcapital.com.

¹ Please see page 18 below for an explanation of the CFA and CIC designations.

Daniel Alan Kane

Educational Background and Business Experience

Mr. Kane joined Carderock Capital in 2001. He currently serves as Vice President, Secretary and Portfolio Manager. Prior to joining the firm, Mr. Kane was Vice President/Portfolio Manager at M&T Bank (1997 to 2001), a Portfolio Manager at Bank of America (Chicago) (1995 to 1997), and a Portfolio Analyst at JHM Capital Management (1994 to 1995).

Mr. Kane received his BBA Business Economics from The George Washington University in 1991 and an MBA in Finance from The American University in 1993. He is a Chartered Financial Analyst, CFA Institute (2000) and a Chartered Investment Counselor, Investment Adviser Association (2002) and a Member of the CFA Institute, The New York Society of Security Analysts and the Washington Association of Money Managers. He was born in 1969.

Disciplinary Information

None

Other Business Activities

None

Additional Compensation

None

Supervision

Mr. Kane's activities are generally supervised by the firm's Chief Compliance Officer, James Mersereau, in accordance with the firm's written supervisory procedures. Mr. Mersereau can be reached at 301-951-5288 or jwm@carderockcapital.com.

Chartered Financial Analyst

The Chartered Financial Analyst (CFA) is a qualification for finance and investment professionals, particularly in the fields of investment management and financial analysis of stocks, bonds and their derivative assets. The program focuses on portfolio management and financial analysis, and provides a general knowledge of other areas of finance.

The designation is an international professional certification offered by the CFA Institute to financial analysts who complete a series of examinations. To become a CFA charter holder, candidates must pass each of three, six-hour exams; possess a bachelor's degree from an accredited institution; and have 48 months of qualified professional work experience. CFA charter holders are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct. [www.cfainstitute.org]

Chartered Investment Counselor

The Chartered Investment Counselor (CIC) is awarded by the Investment Adviser Association (IAA) in Washington, D.C. to Chartered Financial Analysts who have had significant experience in investment counseling or portfolio management.

In addition to being a CFA, an individual wishing to obtain the CIC designation must meet the following requirements:

- Be employed by a member firm of the IAA in an eligible position for at least 1 year; and
- Have a minimum of 5 cumulative years work experience in one or more eligible occupational positions;
- Provide work and character references; and
- Endorse the IAA's *Standards of Practice* and complete a professional ethical conduct questionnaire.

There are no additional educational or examination requirements. The charter holder annually must certify that he or she is employed by an IAA-member firm in an eligible position and has not been the subject of disciplinary action arising from that person's professional conduct. [www.investmentadviser.org]