

Part 2A of Form ADV: Firm Brochure
Information as of March 16, 2011

Item 1: Cover Page

Firm Name: Dillon & Associates, Inc.

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Jackson, MI 49204

Phone: (517) 796-7090

Website: www.dillon-assoc.com

This brochure provides information about the qualifications and business practices of Dillon & Associates, Inc. If you have any questions about the contents of this brochure, please contact us at (517) 796-7090. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Dillon & Associates, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

There are no material changes since our amendment dated May 16, 2011.

Item 3: Table of Contents

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Item 4: Advisory Business

Dillon & Associates, Inc. is a privately owned corporation established in 1988. Jeffrey P. Dillon and Eric J. Grasse are the only shareholders. Jeffrey P. Dillon owns the majority of all outstanding shares.

Our firm provides investment advice to clients on an ongoing basis. Our advice usually involves individual equities (domestic and foreign), corporate and municipal bonds, United States government securities, and certificates of deposit. We may also provide recommendations regarding mutual funds, warrants, rights offerings, and commercial paper.

We make recommendations specific to each client in an effort to meet their individual needs and objects. Portfolio holdings vary across client accounts depending on their goals. For example, a high net worth individual earning a large salary focused on growing his assets will own different assets than a retired couple focused on generating income to meet day-to-day expenses. The high net worth individual will likely be willing to assume greater price volatility and need little or no income; he may own a portfolio consisting only of individual stocks that pay little or no dividends. The retired couple may desire price stability and a consistent stream of income, and therefore, invest in a combination of stocks paying a dividend and bonds.

Our recommendations will incorporate client preferences or restrictions, such as avoiding “sin” stocks (alcohol, tobacco, gambling).

As of December 31, 2011, we manage \$176,046,184. Of this amount, \$13,017,552 is discretionary.

Item 5: Fees and Compensation

Our firm is paid a fee for advisory services. Fees are based on the assets under management based on the following schedule:

- 0.8% on the first \$500,000
- 0.7% on the next \$500,000
- 0.6% on all remaining assets
- Fees may be negotiated for accounts larger than \$5,000,000

Fees are calculated at the end of each calendar quarter and charged $\frac{1}{4}$ of the annualized rate. Invoices are sent to clients each quarter for payment after services are rendered. Clients may choose to have payments deducted directly from the accounts managed, in which case an invoice is also sent to the appropriate custodian.

In addition to our fees, clients will also pay transaction fees (brokerage commissions) which vary by broker. Some clients may also pay an annual fee to custody assets at a particular broker. Certain investments, such as mutual funds, money market funds or

ADRs, will also have additional fees. See Item 12 on page 5 for additional brokerage information.

Our fees are charged for services rendered and are never required in advance.

We do not receive any compensation, such as sales commissions or service fees, beyond the schedule detailed above.

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

We do not charge fees based on the performance of any asset or account.

Item 7: Types of Clients

Our clients consist of individuals (personal and retirement accounts), trusts, non-profit organizations, and corporate retirement plans. Generally, we require an account size of at least \$250,000. We may manage smaller accounts depending on the circumstances of the potential client.

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

Typically, our recommendations and portfolios consist of individual stocks and bonds. These assets provide no guarantees of value. Their prices will fluctuate up and down and clients are subject to the risk of loss.

Our stock recommendations are based on a fundamental analysis. We examine the past, current and future earnings expectations. We study products, revenues, market position, dividends, and valuation metrics (such as price-to-earnings ratios), as well as the overall conditions of the investment markets. We take a long-term approach to investing and do not “churn” or employ frequent trading strategies.

For fixed-income investments (bonds), we generally recommend investment grade securities. We consider the financial strength of the issuer, credit ratings, the coupon and duration of the bond, and current interest rates. We may also utilize certificates of deposit backed by FDIC guarantees.

Item 9: Disciplinary Information

We do not have any legal or disciplinary events to disclose.

Item 10: Other Financial Industry Activities and Affiliations

We do not have any other financial industry activities and we are not affiliated with any other financial firms.

However, from time to time, we may recommend fixed income securities available from JW Korth & Company. JW Korth & Company is a brokerage firm specializing in fixed income securities and may provide instruments that are not available at the client's directed broker or custodian.

It should be understood that a former employee of Dillon & Associates, who is also related to an officer of our firm, is currently employed by JW Korth & Company as a Registered Representative and Trader. This individual may benefit financially from trade commissions or other compensation as a result of our recommendations.

Our firm, its employees, and officers will receive no compensation or other benefits from these transactions. However, this relationship may impair our ability to render unbiased advice and should be viewed as a potential conflict of interest. This potential conflict, and any securities transactions involving JW Korth & Company, will be disclosed to clients prior to utilizing JW Korth's services. Clients will sign a document acknowledging this issue.

Item 11: Code of Ethics

We have adopted a Code of Ethics and maintain Insider Trading and Personal Transaction policies. These policies and procedures are in place to specify the expected conduct of employees. As fiduciaries, we must act in the best interests of our clientele, avoid conflicts of interest, and divulge any conflicts that exist. Employee personal transactions may not be executed on the basis of information that is not generally available to the investing public. Occasionally, employed individuals will buy or sell securities for their own accounts that are recommended to clients. Company policy states that employees must wait 15 days after a security appears on our buy list or 15 days following a sell decision. This is supported by a transaction monitoring procedure. Complete copies of the Code of Ethics, Insider Trading, and Personal Transaction Policies are available upon request.

Item 12: Brokerage Practices

We are not a brokerage firm and are not affiliated with one. We require clients to designate their own broker to execute transactions and custody assets on their behalf. This practice is not required by all advisers. Upon retaining our services, clients acknowledge in writing that the use of the directed broker may result in higher commission and transaction costs, or receive less favorable net prices or execution capabilities on transactions for the account than may otherwise be available.

When a client does not have a broker or asks for a reference, we typically recommend the names of brokers with whom we have had prior business dealings. We do not receive fees or commissions for these references. These may include brokerage firms with which we have an existing institutional relationship, including Charles Schwab & Co. or TD Ameritrade. If minimum asset levels are maintained, these relationships provide access to institutional trading, custody services, research, mutual funds, and other assets that could require significantly higher minimum initial investments or may not otherwise be available to our firm and the brokerage firms' retail customers.

These institutional relationships may provide other products or services that assist our firm in managing and administering some or all client accounts, regardless of where accounts are maintained. Additional services, such as seminars, may also be provided to help our firm manage and further develop our business. As a fiduciary we endeavor to act in the best interest of our clients, but our recommendation to maintain assets with one of these institutional firms may be based in part on the availability of the products and services previously described and not solely on the nature, cost, or quality of the services provided by the brokerage firm, which may cause a potential conflict of interest.

Generally, we do not aggregate client transaction orders. In most circumstances, we discuss recommendations with each client prior to execution and trades are placed shortly thereafter. Aggregation is usually not a practical option and, therefore, may limit our ability to obtain more favorable executions.

Item 13: Review of Accounts

Accounts are usually reviewed on a monthly basis or as individual security, market conditions, or economic circumstances dictate. The reviewers are Jeffrey P. Dillon and Eric J. Grasse. Accounts are reviewed jointly and individually.

Clients are sent a quarterly appraisal by our firm which details the investments held, quantity, cost basis, current market value and dividend income. Clients also receive our quarterly letter addressing relevant topics and/or market conditions.

Item 14: Client Referrals and Other Compensation

We do not receive any form of compensation, awards, or prizes from third parties for other services provided to our clients. Additionally, we do not compensate, directly or indirectly, any person or entity for client referrals.

Item 15: Custody

All clients maintain their assets at a “qualified custodian”, such as a brokerage firm or bank. Some clients request and authorize our firm to deduct our management fees directly from the accounts managed. This authorization allows greater access to client funds beyond typical trading authorizations. Clients receive monthly or quarterly statements from their custodian and quarterly statements from our firm. Clients are urged to compare the account statements from their custodian with our statements.

Item 16: Investment Discretion

Typically, investment recommendations are discussed with clients prior to execution. In some instances, clients may not want or be permitted to know investment recommendations prior to execution. Clients sign a limited power of attorney agreement authorizing our firm to place trades on their behalf at the time a management contract is enacted.

Item 17: Voting Client Securities

Some clients have requested that our firm vote proxies on their behalf. Generally, we will vote with management recommendations on issues. If we strongly disagree with the direction management is leading the business, we will recommend selling client positions. If clients prefer to vote a particular issue in a different manner, they may contact us prior to the voting deadline.

Proxy statements are reviewed for conflicts of interest, and in the event a conflict is found, clients will be notified prior to the voting deadline. Clients may contact us for past voting information or a copy of our proxy voting policies and procedures.

Item 18: Financial Information

Our firm is in good financial standing and there is no financial condition that is likely to impair our ability to meet contractual commitments to clients.