

# **Croft-Leominster, Inc.**

Canton House, 300 Water Street

Baltimore, Maryland 21202

410.576.0100

[www.croftleo.com](http://www.croftleo.com)

Form ADV Brochure Part 2A

3/25/2012

This Brochure provides information about the qualifications and business practices of Croft-Leominster, Inc. If you have any questions about the contents of this Brochure, please contact us at 410.576.0100. 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.

Croft-Leominster, 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 Croft-Leominster, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

There are no material changes to the Form ADV Part 2 Brochure since last update on 3/25/11.

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#### **Item 4 – Advisory Business**

Croft-Leominster Inc. is an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. The firm was incorporated in the State of Maryland, began operating as an investment adviser in 1989, and was co-founded by Gordon and Kent Croft. Russell Croft joined the firm in 1997.

Croft-Leominster, Inc. provides portfolio management services to individuals, high net worth individuals, pension and profit sharing plans, pooled investment vehicles, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, and trust programs. The firm also provides investment advisory and portfolio management services to the Croft Value Fund and the Croft Income Fund. Our investment supervisory services are for discretionary and non-discretionary accounts based primarily on fundamental, technical and cyclical research and analysis. As of 12/31/11, all assets currently under management (\$866.5 million) are discretionary accounts. The firm is a long-term oriented manager and our investment approach is tailored to each client's objective based on their time horizon, risk tolerance and investment objective. Clients may impose restrictions upon our services by limiting investments in certain securities or types of securities.

## Item 5 – Fees and Compensation

Croft-Leominster, Inc. provides investment advisory services for separately managed accounts for a fee based on the schedule listed below.

First \$2 million.....	.80%
Next \$2 million.....	.70%
Next \$3 million.....	.60%
Next \$2 million.....	.50%
Next \$3 million.....	.45%
Next \$3 million.....	.40%
Balance over \$15 million.....	.35%

Fees will be based on quarterly account valuations and are payable quarterly in advance. Each separately managed account is subject to a minimum annual fee of \$4,000. Fees are negotiable. Discounts may be offered to charitable organizations. Clients may terminate the firm's services at any time upon 15 days' prior written notice.

Croft-Leominster, Inc. provides investment supervisory services for Croft Funds Corporation, an investment company, comprised of two funds (Croft Value Fund and Croft Income Fund). The Management Fees on the average daily net assets of the Fund are charged as follows:

Income Fund	0.79%	Value Fund	0.94%
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Croft-Leominster, Inc. advises six limited partnerships as their General Partner and investment adviser. The Partnerships pay the General Partner an annual maintenance fee (listed below next to each partnership name), for each fiscal year, based on the Net Asset Value of the Partnership as of each month-end divided by twelve. The Maintenance Fee shall be payable at the end of each fiscal year after review by an independent accountant. The General Partner's Profit Sharing Account will be adjusted as of the end of each calendar month. The Profit Sharing Account will be increased by the amounts in the table below based on the Partnership's positive internal return, if any, as measured over that month. If the internal return is negative, the Profit Share percentage of the negative internal return will be applied first to reduce the Profit Sharing Account to zero. If the Profit Share percentage of the negative internal return exceeds the Profit Sharing Account balance, the remaining portion of the Profit Share percentage of the negative internal return that was not applied to reduce the Profit Sharing Account to zero will constitute the Performance Loss Carryforward for the month. The Performance Loss Carryforward is carried forward

from month to month within a particular year but not from year to year. The internal return for a month is calculated by subtracting the Performance Base for such month from the Net Asset Value as of the end of the current month. The Performance Base is, with respect to any month, the Partnership's prior month-end Net Asset Value, reduced by any withdrawals as of the beginning of the month and increased by (i) any contributions as of the beginning of the current month plus (ii) the Performance Loss Carryforward, if any, from that prior month. Dividends are counted as income on the record date. Interest on bonds and other interest-bearing securities is accrued daily and included in the month-end Net Asset Value. Croft-Leominster, Inc. receives its fees from these partnerships only by the direction of an independent accounting firm to release the funds from the qualified custodian bank.

<u>Limited Partnership</u>	<u>Maintenance Fee</u>	<u>Profit Share Percentage</u>
Leominster-Croft LP	.65%	16%
Leominster Income & Growth LP	.65%	11%
Croft Small Cap LP	.65%	16%
Croft Deep Value LP	.65%	16%
Leominster International LP	.75%	18%
Leominster Tax Free LP	.38%	n/a

Client assets invested in our managed investment products (e.g. mutual funds or limited partnerships) will be excluded from the total assets of the client for the purposes of fee calculation.

From time to time, Croft-Leominster, Inc. may be engaged by another adviser to provide sub-advisory services and those fees will be negotiable on a case-by-case basis depending on the scope and complexity of services. These arrangements involve discretionary accounts. Under these arrangements, the investment advisory agreement is between Croft-Leominster, Inc. and the adviser.

The specific manner in which fees are charged by Croft-Leominster, Inc. is established in a client's written agreement with Croft-Leominster, Inc. The firm will generally bill its fees on a quarterly basis based on the client assets at the end of each calendar quarter. Clients will be billed in advance each calendar quarter. Clients may also elect to be billed directly for fees or to authorize Croft-Leominster, Inc. to directly debit fees from clients' custodial accounts. Accounts initiated or terminated during a calendar quarter will be charged a

prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Croft-Leominster's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which will be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third-party investment advisers and other third-parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Croft-Leominster's fee, and Croft-Leominster, Inc. does not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that Croft-Leominster, Inc. considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

Croft-Leominster, Inc. is the General Partner and investment manager to six limited partnerships that charge performance based fees and are sold only to Accredited Investors. An accredited investor is described as natural person (i) whose individual net worth, or joint net worth with that person's spouse exceeds \$1,000,000 (*excluding* the value of the investor's principal residence), or (ii) who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year. For a description of the fees for the limited partnerships, please refer to Item 5.

Performance based fee arrangements may create an incentive for Croft-Leominster, Inc. to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. These investments are only available to Accredited Investors. Such fee arrangements also may create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Croft-Leominster, Inc. has policies and procedures in place to allocate investment opportunities fairly and equally to all of our clients including limited partnership clients. For a description, please see item 12.

## **Item 7 – Types of Clients**

Croft-Leominster, Inc. provides portfolio management services to individuals, high net worth individuals, pension and profit sharing plans, pooled investment vehicles, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, and trust programs. The minimum account size to open an account with Croft-Leominster, Inc. is \$1,000,000 for equity accounts or \$1,500,000 for balanced or fixed income accounts. These levels may change due to certain circumstances. Accounts with a lesser value will be directed to the Croft Value Fund and/or Croft Income Fund.

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

### Principal Investment Strategies – Equities

With respect to accounts pursuing an equity-oriented strategy, Croft-Leominster, Inc. invests client accounts primarily in common stocks of U.S. and foreign companies that Croft-Leominster, Inc. believes are undervalued. The firm employs a disciplined, bottom-up approach (where companies are considered based on their own merit, with less regard for current economic conditions) to select securities for investment, but generally does not attempt to time the market, reach for speculative gains, or overly rely on macroeconomic trends. Croft-Leominster, Inc. applies this philosophy toward its goal of capital appreciation and reduced risk. The firm aims to invest in a diversified portfolio of companies, without regard to capitalization, that collectively have a lower projected price to earnings ratio than the market, a higher projected rate of earnings growth relative to the market, and what the firm believes to be reduced risk levels relative to the general averages. The firm also takes into consideration other valuation measures such as price to cash flow and price to book value. In making investment decisions for clients, Croft-Leominster, Inc. considers the underlying value of a company's assets, including resource reserves and land assets, and other factors. The firm may sell a security when it reaches its full potential value based on a fundamental analysis, or when the firm perceives that the overall risk/return ratio of a security has become unfavorable such that the potential for investment gains is no longer attractive versus the potential for investment losses.

### Principal Investment Risks - Equities

Investing in common stocks involves risk and clients may lose all or a substantial part of their investment. These kinds of investments may be more suitable for long-term investors who can bear the risk of short-term fluctuations in the value of the equity securities held in the client's accounts. The stocks in which Croft-Leominster, Inc. invests may not be



undervalued as expected. Because different types of stocks tend to shift in and out of favor depending on market and economic conditions, value-oriented investments may underperform when growth investing is in favor.

Many individual securities may be riskier than the market overall and experience abrupt short-term price movements that may result in possible loss of money on your investment. Croft-Leominster, Inc.'s investments in smaller capitalization companies are subject to the risk that the earnings and prospects of smaller companies are more volatile than larger companies, and smaller companies may experience higher failure rates than do larger companies.

Foreign investing involves risks not typically associated with U.S. investments, including adverse fluctuations in foreign currency values, adverse political, social and economic developments, less liquidity, greater volatility, less developed or less efficient trading markets, political instability and differing auditing and legal standards.

#### Principal Investment Strategies – Fixed Income

With respect to accounts pursuing a fixed-income strategy, Croft-Leominster, Inc. invests client accounts primarily in U.S. corporate bonds, tax-free bonds and securities issued by the U.S. Government and its agencies that are considered investment grade or better. The firm invests to a lesser but still significant extent in U.S.-traded fixed income securities that are rated below "investment grade" or that are not rated. These lower-rated securities are often referred to as "high yield securities" or "junk bonds." The firm may invest in bonds and U.S. Government and agency securities of any maturity. In making corporate debt investment decisions for clients, Croft-Leominster, Inc. considers the issuing company's projected future cash flow relative to debt service requirements, the underlying value of the company's assets that may be monetized to service debt and other factors. The firm selects U.S. Government and agency securities by identifying those that offer the highest yield or expected appreciation compared to other securities with similar structure and maturity. In making tax-free bond investment decisions for clients the firm considers tax-equivalent yields compared to corporate or government bonds of similar credit quality and similar maturity, as well as the sustainability of the issuer's means to service debt. The firm may sell a security before maturity when it reaches its full potential value, based on a fundamental analysis, or when the firm perceives that the overall risk/return ratio of a security has become unfavorable such that the potential for investment gains is no longer attractive versus the potential for investment losses.

### Principal Investment Risks – Fixed Income

Investments in fixed income will fluctuate in value in response to interest rate changes and other factors, which may cause clients to lose all or a substantial part of their investment. The fixed income investments, yield and total return may be affected by a decline in the price of bonds held by the clients or a default on an underlying obligation. Conversely, during periods of rising interest rates, the values of such securities generally decline. Generally, the longer the maturity of the fixed-income security, the more the value will decline when interest rates rise. High-yield junk bonds are especially sensitive to changes in interest rates. Changes by recognized agencies in the rating of any fixed-income security and in the ability of an issuer to make payments of interest and principal will affect the value of the client's investment. The prices of below investment grade securities are likely to be heavily affected by changes in levels of economic activity and issuer creditworthiness. Investments in high-yield junk bonds involve greater risk of default or price decline than investments in investment grade securities because high yield junk bonds may have greater price volatility and limited liquidity in the secondary market. Investments in tax-free bonds involve greater risks, relative to corporate and government bonds, related to government taxation policy; if tax rates decline the value of avoiding taxes also declines. Tax-free bonds also carry risk related to the possibility of their tax-free status being revoked at some point in the future.

### Investment Strategies & Risks – Managed Investment Products

Accredited Investors may choose to invest in any of our six limited partnerships. For a description of the fees or qualifying criteria, please see Items 5 and 6. Investment strategies and risks are further described in the limited partnerships' Offering Memorandums and are available upon request.

Leominster-Croft L.P. - Invests mainly in equity securities and includes fixed income securities. The investment portfolio is similar to Croft-Leominster, Inc.'s other individually managed equity accounts.

Leominster Income & Growth L.P. - Invests mainly in equity and fixed income securities. The investment portfolio is similar to some of Croft-Leominster's other individually managed balanced accounts.

Leominster Tax-Free Income L.P. - Invests mainly in tax-free securities.

Croft-Leominster International L.P. - Invests primarily in international securities.

Croft Small-Cap L.P. - Invests primarily in small cap securities.

Deep Value L.P. - Invests primarily in equities that are on average significantly undervalued relative to the overall stock market based on price/earnings, price/cash flow, and price/book value or discount to private market value.

Croft-Leominster, Inc. is also investment adviser to Croft Funds Corporation, an investment company comprised of two funds (Croft Value Fund and Croft Income Fund). The strategies and risks of the mutual funds are described in their respective prospectus.

### **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 the client's evaluation of Croft-Leominster, Inc. or the integrity of Croft-Leominster's management. Croft-Leominster, Inc. has no information applicable to this Item.

### **Item 10 – Other Financial Industry Activities and Affiliations**

Croft-Leominster, Inc. is the adviser to Croft Funds Corporation, an investment company, comprised of two funds (Croft Value Fund and Croft Income Fund). Croft-Leominster, Inc. is also the General Partner to six limited partnerships sold only to Accredited Investors. More information on these can be found under Items 6 and 8.

### **Item 11 – Code of Ethics**

Croft-Leominster, Inc. 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, a prohibition of rumor mongering, 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 Croft-Leominster, Inc. must acknowledge the terms of the Code of Ethics annually, or as amended.

Croft-Leominster, Inc. anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Croft-Leominster, Inc. has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Croft-Leominster, Inc., its

affiliates and/or clients, directly or indirectly, have a position of interest. Croft-Leominster, Inc.'s employees and persons associated with Croft-Leominster, Inc. are required to follow Croft-Leominster, Inc.'s Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Croft-Leominster, Inc. and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Croft-Leominster, Inc.'s clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Croft-Leominster, Inc. will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Croft-Leominster, Inc.'s clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Croft-Leominster, Inc. and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Croft-Leominster, Inc.'s obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Croft-Leominster, Inc. will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

Croft-Leominster, Inc.'s clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Kent Croft.

It is Croft-Leominster, Inc.'s policy that the firm may effect principal or agency cross securities transactions for client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. 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. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Principal cross trades will be preapproved by the client before the completion of the trade and include trades of any Croft related account, any Croft mutual fund, any ERISA account (including IRAs, Pension, Profit Sharing Plans, etc.), and clients at differing custodians. Documentation on every cross trade will be kept for review every quarter. At the end of each quarter, the firm will review all cross trades for any appearances of inequitable patterns and inequitable profitability of purchases and sales.

Croft-Leominster, Inc. may recommend to clients that they buy or sell investment products (including Limited Partnerships or Mutual Funds) because the firm receives an advisory fee from these products that may be higher than clients might otherwise pay, thus it presents a conflict. Croft-Leominster, Inc. advises clients based on their best interests and certain investment products are only available to Accredited Investors. Investments in these products provide certain benefits to clients that are not available to all clients including economies of scale, access to certain investments not otherwise available to clients, and the benefit of the Investment Company Act of 1940. Client assets invested in our managed investment products (e.g. mutual funds or limited partnerships) will be excluded from the total assets of the client for the purposes of fee calculation.

## **Item 12 – Brokerage Practices**

Croft-Leominster, Inc. has broad discretion in selecting broker-dealers to execute securities transactions on behalf of its clients. In selecting a broker-dealer to execute a particular transaction, the firm will consider a number of factors, including but not limited to whether the products, services, and prices provided by the broker-dealer are reasonable related to those charged by typical securities firms; whether the broker-dealer can assist the firm in meeting its investment objectives by executing transactions in thinly traded or illiquid securities; and whether the commission rate charged is reasonable in relation to the total quality and reliability of the brokerage, research and custodial services made available to the firm for the benefit of the firm's clients.

Croft-Leominster, Inc. receives research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"). Section 28(e) of the Securities Exchange Act allows an investment adviser to pay a broker more than the lowest available commission rate in return for brokerage or research services provided by the broker, so long as the payment is reasonable in terms of the value of the services to the clients over which the investment adviser exercises

investment discretion. Notwithstanding Section 28(e), the investment adviser continues to owe a duty to the clients to obtain best execution. Croft-Leominster, Inc. receives proprietary research created or developed by broker-dealers and research created or developed by third parties. Croft-Leominster, Inc. uses client brokerage commissions to obtain research or other products or services and the firm receives a benefit because the firm does not have to produce or pay for the research, products or services. Croft-Leominster, Inc. may have an incentive to select or recommend a broker-dealer based on the interest in receiving the research or other products or services, rather than on clients' interest in receiving most favorable execution. Croft-Leominster, Inc. may cause clients to pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits. Croft-Leominster, Inc. seeks to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

Croft-Leominster, Inc. has an agreement with JPMorgan to receive soft dollar benefits in connection with execution of client portfolio transactions. The benefits accrued under this agreement help Croft-Leominster, Inc. identify investment opportunities for all of our clients. Because of these arrangements Croft-Leominster, Inc. may have incentive to direct brokerage arrangements through JPMorgan. At all times, Croft-Leominster, Inc. will endeavor to achieve best execution for client transactions whether through JPMorgan or another broker. This relationship also presents a risk that if JPMorgan were to declare bankruptcy or the credit in the soft dollar account were otherwise no longer available, clients could not receive the benefit provided by the products and services that Croft-Leominster, Inc. would have received from these arrangements. During the past fiscal year we have received these benefits from our soft dollar arrangement with JPMorgan:

- *Bloomberg*
- *GARP Research*
- *The Markets*
- *Contrarian Report*
- *Interactive Data Corp.*
- *TSX – Canadian Real Time Quotes*
- *Value Line*
- *Wall Street Transcript*
- *13D Research*
- *NYSE/AMEX*

Croft-Leominster, Inc. is not obligated to select the broker-dealer offering the lowest available commission rates in connection with any given transaction, however, the firm takes great care to analyze all aspects of the securities' transactions to obtain the best execution for the client.

Croft-Leominster, Inc. permits clients to direct brokerage. However, we may be unable to achieve most favorable execution of directed brokerage client transactions. Directing

brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because Croft-Leominster, Inc. may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.

### **Item 13 – Review of Accounts**

Croft-Leominster, Inc. will seek to provide continuous advice to each client in accordance with guidelines furnished by the client, which advice will include results of analyzing new and alternative investments. All portfolios will be supervised by the company's President, Kent Gordon Croft and/or Vice Presidents, Luther Gordon Croft and George Russell Croft. Each client's portfolio will be reviewed at least once every two weeks, although such review will not necessarily result in portfolio transactions. At least twice per year, client asset allocations are reviewed for compliance with client objectives and there is a written record of this review. Client accounts are also reviewed whenever a significant contribution is made to or withdrawal is made from the account. Croft-Leominster, Inc. sends a listing of portfolio holdings, estimated performance versus an index, and advisory fees to clients at the end of each calendar quarter. Clients may obtain a list of transactions from their custodian bank or the firm can provide them upon request.

### **Item 14 – Client Referrals and Other Compensation**

Croft-Leominster, Inc. does not provide incentive to any other individual, nor does the firm receive economic benefit for any client referrals.

### **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Croft-Leominster, Inc. urges you to carefully review such statements and compare such official custodial records to the account statements that the firm provides to you. Croft-Leominster, Inc.'s statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Croft-Leominster, Inc. is the General Partner to six limited partnerships, and as such is deemed to have custody of these assets. Advisers who are General Partner to a limited partnership must have the qualified custodian send each partner a quarterly statement or have the partnerships audited annually. Beginning with calendar year 2010, Croft-Leominster's limited partnerships will be audited.

#### **Item 16 – Investment Discretion**

Croft-Leominster, Inc. usually receives discretionary authority from the client from the advisory agreement at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Croft-Leominster, Inc. observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Croft-Leominster, Inc.'s authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

#### **Item 17 – Voting Client Securities**

Croft-Leominster, Inc. has adopted and implemented policies and procedures that we believe are reasonably designed to ensure that proxies are voted in the best interest of the clients of Croft-Leominster, Inc., in accordance with our fiduciary duties and SEC rule 206(4)-6 under the Investment Advisers Act of 1940. The firm's authority to vote the proxies for clients is established by the firm's advisory contracts, and our proxy voting guidelines have been tailored to reflect these specific contractual obligations. Proxies are always voted in the best interest of the client and for their well-being, even at the expense of Croft-Leominster, Inc. All material conflicts are resolved for the benefit of the client. Croft-Leominster, Inc. may not vote proxies if the effect on shareholders' economic interests or the value of the portfolio holding is indeterminable or insignificant, the cost of voting the shares is prohibitive or if a client elects to vote on their own behalf. In general, Croft-Leominster, Inc. supports issues that add shareholder value, and generally votes with management recommendations.



Clients may obtain a copy of Croft-Leominster, Inc.'s complete proxy voting policies and procedures upon request. Clients may also obtain information from Croft-Leominster, Inc. about how Croft-Leominster, Inc. voted any proxies on behalf of client's account.

#### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about Croft-Leominster, Inc.'s financial condition. Croft-Leominster, Inc. has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Kent G. Croft

Croft-Leominster, Inc.

Canton House, 300 Water Street, Baltimore, MD 21202

410.576.0100

Form ADV Part 2B - Dated 3/25/12

**This Brochure Supplement provides information about Kent G. Croft that supplements the Croft-Leominster, Inc. Brochure. You should have received a copy of that Brochure. Please contact Kent Croft or Christina Walters if you did not receive Croft-Leominster, Inc.'s Brochure or if you have any questions about the contents of this supplement.**

**Additional information about Kent G. Croft is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

**Item 2- Educational Background and Business Experience**

Kent G. Croft, born 1963, graduate of Dartmouth College (A.B.) Kent was employed by Salomon Brothers, Inc. in equity research and trading prior to co-founding Croft-Leominster, Inc. in 1989.

**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**

N/A

**Item 5- Additional Compensation**

N/A

**Item 6 - Supervision**

While Kent is responsible for all advice given to clients, his personal trading and compliance to the firm's Code of Ethics is supervised by Christina Walters (410.576.0100).

**G. Russell Croft**  
**Croft-Leominster, Inc.**

Canton House, 300 Water Street, Baltimore, MD 21202

410.576.0100

Form ADV Part 2B - Dated 3/25/12

**This Brochure Supplement provides information about G. Russell Croft that supplements the Croft-Leominster, Inc. Brochure. You should have received a copy of that Brochure. Please contact Kent Croft or Christina Walters if you did not receive Croft-Leominster, Inc.'s Brochure or if you have any questions about the contents of this supplement.**

**Additional information about G. Russell Croft is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

**Item 2- Educational Background and Business Experience**

G. Russell Croft, born 1973, graduate of Washington & Lee University (B.A.) and University of London (M.B.A.). Russell was employed by Gabelli & Co. in equity research and trading prior to joining Croft-Leominster in 1997.

**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**

N/A

**Item 5- Additional Compensation**

N/A

**Item 6 - Supervision**

Kent Croft, as president of the firm, supervises and monitors advice given to clients. Russell's personal trading and compliance to the firm's Code of Ethics is supervised by Christina Walters (410.576.0100).

**L. Gordon Croft**  
**Croft-Leominster, Inc.**

Canton House, 300 Water Street, Baltimore, MD 21202

410.576.0100

Form ADV Part 2B - Dated 3/25/12

**This Brochure Supplement provides information about L. Gordon Croft that supplements the Croft-Leominster, Inc. Brochure. You should have received a copy of that Brochure. Please contact Kent Croft or Christina Walters if you did not receive Croft-Leominster, Inc.'s Brochure or if you have any questions about the contents of this supplement.**

**Additional information about L. Gordon Croft is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

**Item 2- Educational Background and Business Experience**

L. Gordon Croft, born 1932, graduate of Johns Hopkins University (B.E.S.), George Washington University (M.E.S.), and 21 hrs at Ph.D. level at Indiana University. Gordon was employed by T. Rowe Price Associates, Inc. as Director prior to co-founding Croft-Leominster, Inc. in 1989. He has also been a part time instructor at Johns Hopkins University.

**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**

N/A

**Item 5- Additional Compensation**

N/A

**Item 6 - Supervision**

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