

**Firm Brochure**  
(Part 2A of Form ADV)

**Chesapeake Asset Management Company, Inc.**

**18310 Montgomery Village Ave., #515**

**Gaithersburg, MD 20879**

**301-527-0170**

**301-527-0178**

**[www.cpeake.com](http://www.cpeake.com)**

**[cam@cpeake.com](mailto:cam@cpeake.com)**

This brochure provides information about the qualifications and business practices of Chesapeake Asset Management Co., Inc. If you have any questions about the contents of this brochure, please contact us at: 301-527-0170, or by email at: [cam@cpeake.com](mailto:cam@cpeake.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.

Additional information about Chesapeake Asset Management Co., Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

May 7, 2012

## **Material Changes**

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### **Annual Update**

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

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### **Material Changes since the Last Update**

There have been no material changes made to Chesapeake Asset Management Co., Inc.'s disclosure statement since last year's Annual Amendment filing.

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### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 301-527-0170 or by email at: [cam@cpeake.com](mailto:cam@cpeake.com).

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# Advisory Business

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## Firm Description

Chesapeake Asset Management Company, Inc. (Chesapeake) is an independent, investment advisory firm founded in 1995. The firm provides investment counsel to individuals, nonprofit organizations, private foundations and trusts. From our offices in Maryland, we serve clients on the East Coast and Texas. Our investment management service is highly individualized and offers on-going supervision of portfolios to meet client needs, values and objectives. Often our assistance expands to related financial matters that are important to our clients.

We assume the active role of managing assets for clients that do not have the time, expertise or interest for this responsibility but respect the merit of professional support. Our clients rely on our broad and deep experience in finance and economic environments and value the importance of sound judgment in managing their investment portfolio.

Chesapeake invests primarily in individual securities including common and preferred stock; capital securities; corporate, convertible, municipal, and treasury bonds; real estate investment trusts and energy trusts.

We respect clients' social concerns when determining assets to be purchased for their accounts. Chesapeake has been a member of the Social Investment Forum (SIF) for over 15 years.

Chesapeake is not affiliated with any brokerage firm or other financial industry organization. We have no conflicts of interests in recommending particular strategies and investments. Our only source of income is the fee clients pay us for investment management and advice.

The company does not maintain custody of client assets but buys and sells securities using limited power of attorney granted us by the client.

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## Principal Owners

Linda A. Mundy is the president and owner of Chesapeake Asset Management. Currently, she holds 100% of the stock.

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## **Types of Advisory Services**

Chesapeake Asset Management provides discretionary asset management services; manages investment accounts not involving discretionary investment services; and furnishes investment advice through consultations.

From time to time, Chesapeake furnishes advice to clients on matters not involving securities such as retirement, financing, taxation and estate planning issues.

Chesapeake may also provide advice concerning investment in private and public partnerships such as real estate, oil and gas, and leasing. In addition, Chesapeake may give advice concerning business interests of individual clients.

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## **Tailored Relationships**

The goals, objectives, values, concerns and risk orientation for each client are documented in our client relationship management system. For new clients, investment guidelines are created that reflect their goals and objectives. Clients may impose restrictions on investing in certain securities or types of securities.

Depending on the client's situation, advice may be given on other investment and financial areas of their lives. We may advise them on gifts to family members, mortgages, and taxes and coordinate with their other financial professionals such as accountants and attorneys.

Chesapeake recommends purchase and sale of equities to another investment advisor for client accounts. These recommendations are made by phone and followed by an email.

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## **Types of Agreements**

The following agreements define the typical client relationships.

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### **Investment Management Agreement**

Investment Management Agreements are reviewed and signed by the client prior to any action being taken on an account, with a 5 day period available to terminate with no fees charged.

The fee for Chesapeake's investment management services including related financial advisory work is based on a percentage of the market value of the account.

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## **Hourly Planning Engagements**

Chesapeake Asset Management provides hourly consulting services for clients who need advice on a limited extent. The hourly rate for these services differs depending on the complexity of the project and terms are agreed upon by both parties before consultation work begins.

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## **Asset Management**

Assets are invested primarily in individual securities including common or preferred stock; capital securities; corporate, convertible, municipal, and treasury bonds; real estate investment trusts and energy trusts.

Accounts may also include mutual funds, exchange traded funds and certificates of deposit.

Securities are purchased or sold through a brokerage account. Currently Chesapeake works with two brokerage firms. The brokerage firms charge a fee for stock and bond trades in client accounts. Chesapeake Asset Management does not receive any compensation, in any form, from brokerage or fund companies.

As of December 31, 2011, Chesapeake had 42 client relationships. The company managed approximately \$57.2 million at the end of 2011. Of this amount approximately \$46 million is managed on a discretionary basis and \$11.2 million on a non-discretionary basis.

## **Fees and Compensation**

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### **Description**

Compensation for investment management and related advisory work is based on a percentage of the market value of the account, and is negotiable.

Retainer and consulting fees are based on the specific issue(s) involved including the complexity and estimated time commitment. The client is given an estimate when consulting fees are involved. Since this work can include many variables, these estimates are not guaranteed. However, the client is updated when unexpected events occur.

Chesapeake Asset Management agrees not to assign its rights and obligations to another entity under this Agreement without Client's written consent.

A client's written consent is necessary before any work commences.



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## **Investment Management Fees**

The minimum annual fee for a new client is \$7,500 and the management fee for portfolios under \$1million is 1% on the assets managed. The annual fee for portfolios in excess of \$1million depends on the asset allocation, complexity, and related advisory work. Chesapeake's investment management fee is negotiable.

Non-profit organizations are discounted to 0.85% on the first \$1million.

\*Please note: Chesapeake Asset Management's annual investment management fees will not exceed 3% of the client's assets under management.

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## **Hourly Planning Engagements: Fees**

The hourly rate for Chesapeake Asset Management's services differs depending on the complexity of the project and terms are agreed upon by both parties before consultation work begins. Chesapeake Asset Management's hourly rate is negotiable; however, an hourly rate between \$125 and \$275 is typical for most clients. Chesapeake's fees for hourly planning engagements are negotiable.

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## **Fee Billing**

Investment management fees and related advisory work are billed in advance on a quarterly basis, using the market value of the account as of the end date of the previous quarter. These fees are usually deducted quarterly from the designated brokerage account. The client must consent in writing and in advance to this direct billing.

Retainer and consulting fees are billed after the work is completed.

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## **Other Fees**

Custodians/brokers charge transaction fees on purchases or sales of securities. These transaction charges are usually small and incidental to the size of the purchase or sale of a security.

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## **Expense Ratios**

From time to time, mutual funds, closed end funds and exchange traded fund are purchased to meet a specific strategy objective. The funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 1% means that the mutual fund company charges 1% of the invested assets for their services. These fees are in addition to the fees paid by the client to Chesapeake.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

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### **Termination of Agreement**

A client may terminate any contract with Chesapeake Asset Management with written notice, in which case, a refund will be made on a pro rata basis.

Chesapeake Asset Management may terminate a contract with a client by notifying the client in writing. If the client made an advance payment, Chesapeake Asset Management will provide a refund on a pro rata basis.

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### **Past Due Accounts and Termination of Agreement**

Chesapeake has not experienced client nonpayment to date; however, we would reserve the right to terminate the relationship and/or give notice to the client that all work will be stopped until payment is received. Any such notice would be in writing.

## **Performance-Based Fees**

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### **Sharing of Capital Gains**

Not Applicable.

## **Types of Clients**

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### **Description**

Chesapeake's clientele includes individuals and families, pension and profit-sharing plans, non-profit organizations, trusts, private foundations, and corporations.

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### **Account Minimums**

Chesapeake focuses on clients with investment assets of \$1-7million.

Chesapeake, in its sole discretion, may waive its minimum fee of \$7,500 and/or charge a lesser investment advisory fee based upon certain criteria (e.g., type of assets, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition etc.).

## **Methods of Analysis, Investment Strategies and Risk of Loss**

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### **Methods of Analysis**

Security analysis methods include analysis of economic, political, fundamental, technical and cyclical factors.

In today's technology world, many sources of information are accessed. These include subscription services, financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that Chesapeake Asset Management may use include Charles Schwab & Company's Advisors Website, Bernard Herold's NetX360, and the World Wide Web.

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## **Investment Strategies**

The investment approach for a specific client is developed based on discussions with the client and on economic, social, political and sector factors. The client may adjust objectives and needs at any time. Investment horizon for clients is usually long-term.

We are balanced portfolio managers and client accounts typically hold investments across several asset classes including equities, bonds, and short-term cash reserves. The allocation between these asset types is based on both client input and the current economic and market environments. Asset allocation is adjusted from time to time based on these criteria.

Within these asset classes, we identify individual securities. Chesapeake's equity selection style can best be described as "flexible", since clients own both growth and value oriented companies. This allows portfolios to participate in all phases of the market cycle. The investment approach is opportunity driven. Our objective is to select investments with solid growth and income potential. We purchase equities selling at reasonable valuations from a historical and current market picture. While Chesapeake invests in all sectors of the economy, there are often certain areas of focus such as technology, energy and health care.

The role of fixed income investing is to provide a secure source of income with opportunity for capital appreciation. The importance of capital preservation has always been a key element to strategy. We analyze the economy, monetary and fiscal policy and business cycles to determine an interest rate outlook and risk tolerance. The objective of our short term investments is to seek the highest possible income consistent with minimum fluctuation in principal value and a high level of liquidity.

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## **Risk of Loss**

All forms of investing have certain risks that are borne by the investor. Our investment approach considers the many types of risks of loss. Below are listed the most classic investment risks for clients:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on

existing bonds become less attractive, causing their market values to decline.

- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like. Another obvious business risk is the rapidly changing technology world and the implications that these changes and improvements have on current businesses. Changes in regulations related to the business are also a business risk.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value. Borrowing short term to make longer term investments also poses a potential risk.

## Disciplinary Information

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### Legal and Disciplinary

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

## Other Financial Industry Activities and Affiliations

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### Financial Industry Activities

Not Applicable.

### Affiliations

Not Applicable.

## Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

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### Code of Ethics

Chesapeake has established a code of ethics which reflects our dedication to honest and ethical conduct in the service of our clients. Our goals are to approach our clients' needs and values with respect, careful consideration and an effort to excel. Our written code of ethics is on file and is available upon request.

### Participation or Interest in Client Transactions

Chesapeake and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades.

### Personal Trading

Neither Chesapeake nor any related person of Chesapeake recommends, buys, or sells for client accounts, securities in which Chesapeake or any related person of Chesapeake has a material financial interest.

Chesapeake and/or representatives of Chesapeake *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Chesapeake and/or representatives of Chesapeake are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market

price which follows the recommendation) could take place if Chesapeake did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of Chesapeake’s clients) and other potentially abusive practices.

Chesapeake has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Chesapeake’s “Access Persons”. Chesapeake’s securities transaction policy requires that an Access Person of Chesapeake must provide the Chief Compliance Officer or her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date Chesapeake selects; provided, however that at any time that Chesapeake has only one Access Person, he or she shall not be required to submit any securities report described above.

Chesapeake and/or representatives of Chesapeake *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Chesapeake and/or representatives of Chesapeake are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above, Chesapeake has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Chesapeake’s Access Persons.

## Brokerage Practices

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### Selecting Brokerage Firms

In the event that the client requests that Chesapeake recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Chesapeake to use a specific broker-dealer/custodian), Chesapeake generally recommends that investment management accounts be maintained at Charles Schwab & Co., Inc. (“Schwab”) and Bernard Herold & Co., Inc. (“Bernard”). Prior to engaging Chesapeake to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Chesapeake setting forth the terms and conditions under which Chesapeake shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Chesapeake considers in recommending Schwab and/or Bernard (or any other broker-dealer/custodian to clients) include historical relationship with Chesapeake, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by

Chesapeake's clients shall comply with Chesapeake's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Chesapeake determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Chesapeake will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Chesapeake's investment management fee. Chesapeake's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

Please note: Chesapeake does not receive referrals from broker-dealers.

Chesapeake does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Chesapeake will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Chesapeake. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Chesapeake to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Chesapeake.

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## **Additional Benefits**

### **Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Chesapeake may receive from Schwab and/or Bernard (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist Chesapeake to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Chesapeake may be investment-

related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Chesapeake in furtherance of its investment advisory business operations. In these situations Chesapeake receives a benefit because Chesapeake does not have to produce or pay for research, products or services.

As indicated above, certain of the support services and/or products that *may* be received may assist Chesapeake in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Chesapeake to manage and further develop its business enterprise. Chesapeake *may* have an incentive to select or recommend a broker-dealer based on its interest in receiving research or other products or services, rather than on our client's interest in receiving the most favorable execution.

Chesapeake's clients do not pay more for investment transactions effected and/or assets maintained at Schwab and/or Bernard as a result of this arrangement. There is no corresponding commitment made by Chesapeake to Schwab and/or Bernard or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

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## **Order Aggregation**

To the extent that Chesapeake provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Chesapeake decides to purchase or sell the same securities for several clients at approximately the same time. Chesapeake may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Chesapeake's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Chesapeake shall not receive any additional compensation or remuneration as a result of such aggregation.

## **Review of Accounts**

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### **Periodic Reviews**

For those clients to whom Chesapeake provides investment supervisory services, account reviews are conducted on an ongoing basis by Chesapeake's



Principal, Linda Mundy. All investment supervisory clients are advised that it remains their responsibility to advise Chesapeake of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with Chesapeake on an annual basis.

Client accounts are reviewed at least monthly to determine if any adjustments to asset allocation are warranted. Asset allocation is designed and updated to meet client needs and objectives and economic and market conditions.

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### **Review Triggers**

Changing economic, political and regulatory conditions and/or changes in a client's financial situation can trigger immediate review and potential adjustments.

Each month, discretionary accounts are reviewed to ensure that the transaction records and balances maintained by Chesapeake are accurately reflected and that such transactions and balances agree with the brokerage statement received by the clients.

All security holdings are reviewed on an on-going basis for changes in information and pricing. Periodic review and update for equity holdings includes fundamental updates and analysis, news, and technical information. Equity prices are reviewed daily based on mathematical formulas designed to alert the Principal of movement outside a pre-determined range.

Fixed income and hybrid securities are reviewed for price and credit changes as well as their relationship to change in market conditions and interest rate trends.

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### **Regular Reports**

Investment reports are sent to clients each quarter. The report includes:

- summary of the asset allocation for the account(s)
- list of securities with cost, market, current yield, and percent of total
- list of purchases and sales for the period
- performance summary

An investment review and outlook is included with each report.

Internal tax reports are sent to the clients with taxable portfolios after year's end.

Meetings are an important part of the relationship. Annual or semi-annual client meetings provide personal contact with the client. In meetings with individual boards and clients, the portfolio is reviewed and the investment environment,

potential, and risk discussed. The client's current situation and investment horizon, based on plans and distributions, are discussed to ensure that the assumptions and objectives used to manage the assets are still valid.

For corporate accounts, meetings with a formal committee of the organization are held at least annually. Objectives, investment guidelines and constraints are reviewed and discussed with the committee members.

## **Client Referrals and Other Compensation**

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### **Incoming Referrals**

Client referrals comprise the majority of our new business. Chesapeake does not receive referrals from brokerage firms.

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### **Referrals Out**

Chesapeake does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

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### **Other Compensation**

Not Applicable.

## **Custody**

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### **Account Statements**

All assets are held at qualified custodians/brokers. These brokerage firms send the transaction descriptions and monthly statement directly to clients. More and more clients are accessing this information through the internet with password protections.

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### **Performance Reports**

Clients receive performance information on discretionary accounts each quarter as part of the investment report.

**Please Note:** To the extent that Chesapeake provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Chesapeake with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of Chesapeake's advisory fee calculation. Therefore, clients should carefully review statements received from their custodian.

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## Net Worth Statements

Not Applicable.

## Investment Discretion

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### Discretionary Authority for Trading

In most cases, Chesapeake is engaged to provide investment advisory services on a discretionary basis. Prior to Chesapeake assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming Chesapeake as the client's attorney and agent in fact, granting Chesapeake full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage Chesapeake on a discretionary basis may, at anytime, impose restrictions, **in writing**, on Chesapeake's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Chesapeake's use of margin, etc.).

## Voting Client Securities

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### Proxy Votes

Unless the client directs otherwise in writing, Chesapeake is responsible for voting client proxies (**However**, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits.). Chesapeake shall vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. Chesapeake shall monitor corporate actions of individual issuers and investment companies consistent with Chesapeake's fiduciary duty to vote proxies in the best interests of its clients. Although the factors which Chesapeake will consider when determining how it will vote differ on a case by case basis, they may, but are not limited to, include the following: a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employees and executive and director compensation. With respect to individual issuers, Chesapeake may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), Chesapeake may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. In certain circumstances, clients may direct Chesapeake in the voting of proxy solicitations. Clients who so choose to direct the voting of proxy solicitations should contact Ms. Mundy. Chesapeake shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the

Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how Chesapeake voted on any specific proxy issue is also available upon written request. Requests should be made by contacting Chesapeake's Chief Compliance Officer, Linda Mundy.

Consistent with Chesapeake's fiduciary responsibility, Chesapeake shall vote proxy solicitations in the best interest of the client.

## **Financial Information**

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### **Financial Condition**

Chesapeake does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because Chesapeake does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$500 per client, and six months or more in advance.

## **Requirements for State Registered Advisers**

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As discussed above, Linda A. Mundy is the president and owner of Chesapeake Asset Management. Currently, she holds 100% of the stock. Chesapeake is not involved in any business activity besides providing investment advisory services. For more information about Ms. Mundy, please see her individual Brochure Supplement below.

As discussed above, Chesapeake does not offer its investment advisory services on a performance-fee-basis. Neither Chesapeake, nor any management person of Chesapeake has been involved in any arbitration or regulatory proceeding. Neither Chesapeake, nor any management person of Chesapeake, has any relationship with an issuer of securities.

## **Business Continuity Plan**

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### **General**

Chesapeake Asset Management has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

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## **Disasters**

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, nuclear emergency, T-1 communications line outage, and Internet outage. Electronic files are backed up daily and archived offsite.

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## **Alternate Offices**

Alternate offices have been identified to support ongoing operations in the event the main office is unavailable.

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## **Loss of Key Personnel**

Chesapeake has identified a colleague with significant experience and training to support Chesapeake in the event of Linda Mundy's serious disability or death.

# **Information Security Program**

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## **Information Security**

Chesapeake maintains an information security program to reduce the risk that client personal and confidential information may be breached.

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## **Privacy Notice**

Our clients are our most important asset. We want to assure you that any information you share with us is considered confidential. We take the following steps to ensure your privacy:

- ❖ All employees and contract personnel sign confidentiality agreements that limit use and access to your information.
- ❖ Personal information is disclosed to third parties only when necessary to process your applications or service your accounts. Third party companies that we use for support services also adhere to strict confidentiality policies.
- ❖ We will forward account information to your accountant or other outside contact only upon your verbal request followed by an email of written confirmation or your written request.
- ❖ We maintain physical and procedural security and have installed electronic safeguards on our computers to protect your privacy.
- ❖ Under no circumstances do we sell your personal information to other companies.
- ❖ Your name will be used as a reference for our services only with your consent.

Should we make any changes in our privacy policy we will notify you of our intentions.

## **Brochure Supplement (Part 2B of Form ADV)**

**Linda A. Mundy**

**Chesapeake Asset Management Co., Inc.**

**Brochure Supplement**

**Dated 5/7/2012**

**Contact: Linda Mundy, Chief Compliance Officer**

**18310 Montgomery Village Ave., Suite 515**

**Gaithersburg, Maryland 20879**

**301-527-0170**

**301-527-0178**

**www.cpeake.com**

**cam@cpeake.com**

**This Brochure Supplement provides information about Linda A. Mundy that supplements the Chesapeake Asset Management Co., Inc. Brochure; you should have received a copy of that Brochure. Please contact Linda Mundy, Chief Compliance Officer, if you did *not* receive Chesapeake Asset Management Co., Inc.'s Brochure or if you have any questions about the contents of this supplement.**

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

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**Education and Business Standards**

The personnel of Chesapeake Asset Management are hired based on demonstrated ability by reason of education and/or experience. A college degree and finance experience is required for any employee giving advice to clients and preparing financial analysis.

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**Professional Certifications**

Not applicable

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**Linda A. Mundy**

Educational Background:

Date of Birth: January 11, 1947

Harvard Business School, 1979, MBA

Florida State University, 1969, BA

Examinations:

Series 7, 1988

Series 63, 1988

Business Experience:

Chesapeake Asset Management Co., Inc., 1995 to Present, President/Principal

Malgoire Drucker, Inc., (investment advisory firm) 1991 to 1995, Officer-Secretary

WFG Investment Management, Inc., (investment advisory firm) 1987 to 1991, Senior Vice-President

Mundy & Associates Company, 1981 to 1987, (financial and investment consulting) President

Investing for Women, (seminars on investing) 1981 to 1984, President

Frito-Lay (Division of PepsiCo) – Internal Consultant, Treasury Operations 1979-1980

Disciplinary Information: Not Applicable

Other Business Activities: None

Additional Compensation: None



Supervision: Chesapeake Asset Management Co., Inc. provides investment advisory and supervisory services in accordance with current state regulatory requirements. Chesapeake provides investment advisory and supervisory services in accordance with Chesapeake's policies and procedures manual; written to comply with the Maryland Securities Act. Chesapeake's, Chief Compliance Officer, Linda Mundy, is primarily responsible for overseeing the activities of Chesapeake Asset Management Co., Inc.'s supervised persons. Ms. Mundy also monitors accounts and conducts account reviews on at least an annual basis. Should a client have any questions regarding Chesapeake Asset Management Co., Inc.'s supervision or compliance practices, please contact Ms. Mundy at 301-527-0170.

Requirements for State-Registered Advisers: Ms. Mundy has never been involved in an arbitration proceeding or a civil, self-regulatory, or administrative proceeding. Ms. Mundy has never been the subject of a bankruptcy petition.