

DUNVEGAN ASSOCIATES, INC.
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Item 1 – Cover Page

Dunvegan Associates, Inc.
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Santa Barbara, CA 93101
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Brochure as of March 31, 2012

This Brochure provides information about the qualifications and business practices of Dunvegan Associates, Inc. If you have any questions about the contents of this Brochure, please contact us at 805-969-5432 or operations@dunvegan.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.

Dunvegan 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 which helps you determine to hire or retain an Adviser. Additional information about Dunvegan is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 - Material Changes

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 31, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

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

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

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

Currently, our Brochure may be requested by contacting Dunvegan Operations at 805-969-5432 or operations@dunvegan.com.

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

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Brochure Supplements

Brett C. Moore

Justin N. Dorn

Item 4 – Advisory Business

Dunvegan (DVA) was founded in 1974 in New York as a consulting arm of Reynolds and Co., now Morgan Stanley Smith Barney. At that time, A. C. Moore, President of Dunvegan, was Director of Institutional Research for Reynolds. Over the next decade, DVA served as an energy and overall financial market strategist to several of the largest financial institutions in the United States. We have always featured a research approach to markets and our own clients *vis-a-vis* a sales approach. That is, through a combination of fundamental and technical analysis, we have tried to figure out, using in-house research, how things work. Once we have determined what we know and what we don't know, an investment strategy seems to naturally evolve. A research approach contrasts sharply with a sales approach that seems to cater to client appetites with an ever-expanding menu of investment options with an accent on what sells the best. Although DVA commenced wealth management in 1983, the firm has had important alliances with President A. C. Moore having a position of Director of Research with Argus Research in the late 1980's and Chief Investment Strategist with Principal Financial Securities (a part of Principal Financial Group) in the 1990's. Today, DVA is an independent wealth manager serving families, institutions, qualified plans, trusts and endowments. As of March 31, 2012, assets under our direct management were \$215 million.

We provide continuous management of client portfolios on a discretionary basis, blending our capital markets outlook with the financial goals of the client. The financial goals of the client are determined on an initial meeting and are systematically updated through periodic client review meetings. Among the issues that are taken into consideration are the form that the client's assets are in (e.g.: stocks, bonds, real estate), taxability, the client's personal and family obligations, liquidity needs, and the client's risk preference.

Investment supervisory services are performed in accord with a "Letter of Understanding"(LOU) that permits us to enter orders with a broker on behalf of the client. The LOU also defines how the client terminates the relationship and whether margin can be used or not.

Item 5 – Fees and Compensation

ANNUAL FEE SCHEDULE

Dunvegan’s management fee is based upon the market value at quarter end of assets supervised, payable quarterly, in advance, at the following annual rates:

<u>Amount Under Supervision</u>	
\$5,000,000.....	1.00 %
Concession for each additional \$5,000,000.....	0.05%
After \$50,000,000.....	0.55%

Eleemosynary institutions receive a 10% discount from the fee schedule.

The specific manner in which fees are charged by Dunvegan is established in a client’s written agreement with us, the “Letter of Understanding”. We will generally bill fees on a quarterly basis. Fees are charged at the beginning of a quarter based on the value of the client account at the end of the previous quarter. Clients may elect to be billed directly for fees or to authorize us to directly debit fees from their accounts. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Refunds are payable upon cancellation, which may be verbal or written, should services be terminated before the end of the quarter.

Clients may terminate management with a phone call, to be followed by a letter. Prepaid investment advisory fees (unearned) for that quarter will be refunded, prorated to the date of oral or written notification of cancellation.

Our fees do not include brokerage commissions, transaction fees, and other related costs and expenses. Such fees and expenses are incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and consultants. Other third parties may charge management fees, 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 Dunvegan’s fee, and we do not receive any portion of these commissions, fees, and costs. It is in the client’s best interest as well as that of DVA to keep commissions, fees, and costs as low as possible.

Item 12 further describes the factors that we consider 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

Dunvegan does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

We provide portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, and trusts.

Although there are exceptions, we generally require a minimum account size of \$250,000 for clients to whom we furnish investment supervisory services.

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

Investing in securities involves risk of loss that clients should be prepared to bear. We understand that increased brokerage, other transaction costs and taxes increase with the frequency of trading. Nonetheless, our expectation is, and our experience has been, that client returns can be enhanced and risks can be reduced in spite of the costs. We weigh the net benefits as it relates to our clients' portfolios. We do not experience any gain from more frequent trading other than stated management fees on assets.

Equity (stocks)

Our primary goal is to generate returns for our clients in excess of inflation. We achieve this through both capital appreciation and income from stocks of companies that we think offer value to shareholders. Dividend yield is important in our selection of stocks, but it does not limit our investment choices.

Our strength in investment selection begins with our analytical approach to the drivers of the world economy. A close examination of global supply and demand trends, through financial statement and market analysis, identifies industries and companies that are well positioned to benefit from positive long-term economic trends. Our screening process targets companies with strong balance sheets, growing earnings, and focused management. We favor companies that appear to be industry leaders.

Once a company is identified as a potential investment, we perform valuation analysis to help us to determine a reasonable price to buy the stock. We avoid buying stock in a company that we think is overvalued.

Fixed Income (bonds)

We start with global economic analysis to form an opinion of the trend of interest rates. We judge what optimum duration would be desired for minimizing risk and maximizing returns for our clients. Duration is the time-weighted average cash flow of money received from a bond and is used as a proxy for interest rate sensitivity. Interest rate sensitivity is the sensitivity of a bond's price to interest rate changes. For example, if we think interest rates are going up, we would choose a duration of 3 to 5 years because these bonds would have less sensitivity to price declines; if we think interest rates are going to go down, we would choose a duration in excess of 5 years because these bonds would have more sensitivity to price increases. Thinking primarily in terms of after-tax yield, we compare fixed income asset classes relative to yields on bonds of comparable maturities. We seek undervalued sectors within the most desirable asset class. We also capitalize on mispriced issues, or 'outliers', and opportunities arising from all types of corporate actions. Once a bond has passed our risk criteria and we determine the optimum price for the bond, our team begins the global-reaching negotiation for a required price in order to transmit value to our clients.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Dunvegan or the integrity of Dunvegan's management. Dunvegan has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Dalarne Partners, L.P.

Dunvegan Associates is the General Partner of Dalarne Partners, L.P., a California limited partnership. Dalarne was formed for the purposes of investing in, holding, selling, trading, on margin or otherwise, in securities traded in public markets. As the general partner of Dalarne Partners, L.P., Dunvegan may share in the partnership's gains.

Soft Dollar Arrangements

Generally, in addition to a broker's ability to provide "best execution," we may also consider the value of "research" or additional brokerage products and services a broker-dealer has provided or may be willing to provide. This is known as paying for those services or products with "soft dollars," a small portion of commissions generated by client trades. Because many of the services or products could be considered to provide a benefit to the firm, and because the "soft dollars" used to acquire them are client assets, the firm could be considered to have a conflict of interest in allocating client brokerage business: it could receive valuable benefits by selecting a particular broker or dealer to execute client transactions and the transaction compensation charged by that broker or dealer might not be the lowest compensation the firm might otherwise be able to negotiate. In addition, the firm could have an incentive to cause clients to engage in more securities

transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products and services.

Item 11 – Code of Ethics

We have adopted a Code of Ethics for all supervised persons of our 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 Dunvegan must acknowledge the terms of the Code of Ethics annually, or as amended.

Subject to our Code of Ethics and applicable laws, our employees may trade for their own accounts in securities which are recommended to and/or purchased for our clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Dunvegan 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. The Code requires pre-clearance of employee transactions by our Chief Compliance Officer (CCO). Employee trading is continually monitored by our CCO.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Dunvegan'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. We retain records of the trade order (specifying each participating account) and its allocation that 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 trade blotter.

Our clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Dunvegan Operations at (805) 969-5432.

Item 12 – Brokerage Practices

We manage client accounts on a discretionary basis. That is, no specific client consent is sought before individual investment decisions, such as the quantity or type of security to be bought or sold, are made. In cases where client funds are held in a bank or trust company, brokers may be selected by Dunvegan for the transactions, based upon factors which include:

- (1) Service levels;
- (2) Expertise in trading the specific security;
- (3) Willingness to discount commissions; and,
- (4) Research services provided, which pertain to the trade.

Some of our clients prefer to choose their own brokers, or have done so prior to any management relationship with Dunvegan. In such cases, we are instructed to use that broker for executions, custody and reporting. We make such clients aware that they may be paying commissions higher than those obtainable from other brokers in return for factors they may deem important, which include those above, and may include performance measurement and ongoing portfolio monitoring. When directed to use a certain broker, we may be unable to negotiate commissions and obtain volume discounts or best executions. Thus, there may be differences in commission charges among our clients. When our clients have selected or negotiated a "wrap fee" (annual transaction fee based upon a pre-set percentage of the account value) with their preferred broker, we make such clients aware that they may be choosing to pay more than the rates otherwise available in return for the above-mentioned factors, and further "insurance" against high-turnover periods. We attempt to help the client determine whether such a "wrap fee" arrangement is suitable for their portfolio, based upon objectives, portfolio type, and normal anticipated turnover. We will not accept a broker-referred wrap fee account relationship without a discussion of the suitability of such an arrangement with the client.

When we are asked to recommend a brokerage firm for custody, execution, and reporting services, it is our policy to suggest several alternatives, and let the client make the decision.

Factors influencing our referral of brokers include:

- (1) Level of service;
- (2) Willingness to discount commissions;
- (3) Our assessment of past execution capabilities;
- (4) Willingness to provide access to research or analysts;
- (5) Clarity and reliability of reporting; and,
- (6) Client portfolio size.

In some cases, our clients may pay commissions higher than those obtainable from other brokers in return for those abilities, products and services. Specific research services may include statistical research on the capital markets, sometimes available from certain broker dealers in return for commission dollar arrangements. Any research or account services that are provided to Dunvegan through a commission broker, even though such services benefit the client directly, must be at or

below the rates secured by Dunvegan in the ordinary course of business where rates are competitively negotiated.

Advisor participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the Program.

As disclosed above, Advisor participates in TD Ameritrade's institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Advisor's participation in the program and the investment advice it gives to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Advisor but may not benefit its Client accounts. These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

Generally, in addition to a broker's ability to provide "best execution," we may also consider the value of "research" or additional brokerage products and services a broker-dealer has provided or may be willing to provide. This is known as paying for those services or products with "soft dollars." Because many of the services or products could be considered to provide a benefit to the firm, and because the "soft dollars" used to acquire them are client assets, the firm could be considered to have a conflict of interest in allocating client brokerage business: it could receive valuable benefits by selecting a particular broker or dealer to execute client transactions and the transaction compensation charged by that broker or dealer might not be the lowest compensation the firm might otherwise be able to negotiate. In addition, the firm could have an incentive to

cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products and services.

The firm's use of soft dollars is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a “safe harbor” for investment managers who use commissions or transaction fees paid by their advised accounts to obtain investment research services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities. As required by Section 28(e), the firm will make a good faith determination that the amount of commission or other fees paid is reasonable in relation to the value of the brokerage and research services provided. That is, before placing orders with a particular broker, we generally determine, considering all the factors described below, that the compensation to be paid to TD Ameritrade is reasonable in relation to the value of all the brokerage and research products and services provided by TD Ameritrade. In making this determination, we typically consider not only the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular client, but also the value of those services and products in our performance of our overall responsibilities to all of our clients. In some cases, the commissions or other transaction fees charged by a particular broker-dealer for a particular transaction or set of transactions may be greater than the amounts another broker-dealer who did not provide research services or products might charge.

Item 13 – Review of Accounts

Accounts are reviewed at least on a weekly basis. The initial focus of this review is with the securities held by each account. Problems or opportunities generated by fundamental or market specific occurrences are quickly translated into the appropriate buy or sell adjustment of each account. Accounts are also systematically reviewed weekly as to accomplishment of individual client financial goals. Defensive asset allocation review is accomplished as needed but no less than on a weekly basis.

Clients receive a computerized portfolio review quarterly, accompanied by a cover sheet indicating performance relative to various market indices. A report as to our current analysis of the internal structure of markets is provided as appropriate for market conditions. We personally visit with most clients on a periodic basis and welcome phone calls and visits at our office.

Item 14 – Client Referrals and Other Compensation

If Dunvegan were to be the recipient of a client referral from someone who is not a client, we are prepared to pay the referring party up to 10 percent of the fees received by us with the provision that full disclosure is made to the client that is being referred. There is, of course, a potential conflict of interest that could arise from the referral that should be adequately addressed by the disclosure.

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. We urge you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on account procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

We usually receive discretionary authority from the client to select the identity and amount of securities to be bought or sold at the outset of an advisory relationship. 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, Dunvegan observes the investment policies, limitations and restrictions of the clients for which it advises. We determine guidelines and restrictions as a part of the ongoing meetings and conversations with clients.

Item 17 – Voting Client Securities

Proxy voting is an important right of shareholders and reasonable care and diligence must be undertaken to ensure that such rights are properly and timely exercised. When we have discretion to vote the proxies of our clients, we will vote those proxies in the best interest of our clients in accordance with the following policies and procedures:

- Generally, we will vote in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors, and increases in or reclassification of common stock.
- Generally, we will vote against proposals that make it more difficult to replace members of the issuer's board of directors, including proposals to stagger the board, cause management to be overrepresented on the board, introduce cumulative voting, introduce unequal voting rights, and create supermajority voting.

For other proposals, we determine whether a proposal is in the best interest of our clients and may take into account the following factors, among others:

- Whether the proposal was recommended by management and our opinion of management;
- Whether the proposal acts to entrench existing management; and
- Whether the proposal fairly compensates management for past and future performance.

We reserve the right to add to these factors as it deems necessary in order to ensure that further categories of proposals are covered and that the general principles in determining how to vote all proxies are fully stated.

The Chief Compliance Officer will identify any conflicts that exist between our interests and those of our clients. This will include a review of our relationship with the issuer of each security (and any of the issuer's affiliates) to determine if the issuer is our client or has some other relationship with a client of ours.

If a material conflict exists, we will determine whether voting in accordance with the voting guidelines and factors described above is in your best interest.

Clients may obtain a copy of our complete proxy voting policies and procedures upon request. You may also obtain information from us about how we voted any proxies on your behalf.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Dunvegan's financial condition. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to our clients and have not been the subject of a bankruptcy proceeding.