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Holderness Investments Company
Part 2A of Form ADV
The Brochure

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This brochure provides information about the qualifications and business practices of Holderness Investments Company (Holderness). If you have any questions about the contents of this brochure, please contact us at (336)574-1400. 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 Holderness Investments Company is also available on the SEC's website at: www.adviserinfo.sec.gov.

Material Changes

Holderness's most recent update to Part 2 of Form ADV was made in March 2010. Holderness's business activities have not changed materially since the time of that update. However, in 2010 the SEC required significant changes to the content and format of Part 2 of Form ADV. This brochure, which reflects those changes, is materially different from brochures used by Holderness in prior years.

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Advisory Business

Holderness primarily provides customized investment management services to high-net-worth individuals and associated trusts, estates, pension and profit sharing plans, and other legal entities. Holderness generally invests client assets in domestic and international stocks, bonds, mutual funds, and exchange traded funds ("ETFs").

Holderness works with each client to establish an appropriate investment profile. Clients choose from growth, balanced, and conservative strategies, and can impose reasonable restrictions on Holderness's management of their accounts.

Holderness was founded in 1995 and is owned by Richard Holderness. As of February 28, 2011 Holderness managed \$99,942,344 on a discretionary basis on behalf of approximately 206 clients.

Fees and Compensation

Holderness charges most of its clients an annual investment management fee based on the following schedule:

Assets Under Management		Annual Fee
First	\$ 3,000,000	1.00%
Next	\$ 3,000,000	.75%
Next	\$ 3,000,000	.60%
Next	\$ 3,000,000	.50%
Next	\$ 10,000,000	.40%

Holderness has the right to waive or negotiate lower fees depending on the circumstances.

Holderness charges fees quarterly in arrears based on the account value at the end of the prior quarter. Most clients authorize Holderness to deduct fees automatically from their brokerage accounts, but clients may request that Holderness send quarterly invoices to be paid by check.

If a client terminates the investment management agreement with Holderness in the middle of a billing period Holderness will invoice the client for an amount that is pro-rated based on the number of days that the account was managed during that quarter.

If a client contributes more than \$150,000 during a quarter Holderness will prorate the fees on this contribution. Contributions of less than \$150,000 and partial withdrawals of client assets are not pro-rated and will be reflected in Holderness's fee calculation for the entire quarter.

In addition to Holderness's investment management fees, clients bear trading costs and custodial fees. To the extent that clients' accounts are invested in mutual funds, these funds pay a separate layer of management, trading, and administrative expenses.

Performance Based Fees and Side-by-Side Management

Holderness does not charge any performance fees. Some investment advisers experience conflicts of interest in connection with the side-by-side management of accounts with different fee structures. However, these conflicts of interest are not applicable to Holderness.

Types of Clients

Holderness primarily provides customized investment management services to high-net-worth individuals and associated trusts, estates, pension and profit sharing plans, and other legal entities. Holderness's minimum account size is generally \$1,000,000, but this amount is negotiable.

Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategy

Holderness's President and Vice President work together to conduct fundamental analysis on all securities recommended for client accounts. This analysis varies depending on the security in question. For stocks and bonds the analysis generally includes a review of:

- The issuer's management;
- The amount and volatility of past profits or losses;
- The issuer's assets and liabilities, as well as any material changes from historical norms;
- Prospects for the issuer's industry, as well as the issuer's competitive position within that industry; and
- Any other factors considered relevant.

For mutual funds and ETFs the analysis generally includes a review of:

- The fund's management team;
- The fund's historical risk and return characteristics;
- The fund's exposure to sectors and individual issuers;
- The fund's fee structure; and
- Any other factors considered relevant.

Holderness's Investment Committee is led by Richard Holderness, the Chief Investment Officer, and also includes Kim Carson. Investments are evaluated independently, as well as in the context of clients' existing holdings and sector exposures.

Holderness primarily invests for relatively long-term horizons, often for 2 years or more. However, market developments could cause Holderness to sell securities more quickly.

Depending on a client's investment objectives, Holderness may engage in short selling or option writing.

Risk of Loss - General

All investing involves a risk of loss and the investment strategy offered by Holderness could lose money over short or even long periods of time. Performance could be negatively impacted by a number of different market risks including, but not limited to, that portfolio management techniques used by Holderness may not produce the desired results. This could cause accounts to decline in value. In addition, Holderness may rely on information that turns out to be erroneous. Holderness selects investments based, in part, on information provided by issuers to regulators or made directly available to Holderness by the issuers or other sources. Holderness is not always able to confirm the completeness or accuracy of such information, and in some cases, complete and accurate information is not available. Incorrect or incomplete information increases risk and may result in losses.

Potential Risks of Investing in Stocks, Mutual Funds, ETFs and Bonds:

Stock Market Risk - Stock market risk is the possibility that stock prices overall will decline over short or extended periods. Markets tend to move in cycles, with periods of rising prices and periods of falling prices.

Investing in small- and medium-sized companies involves greater risk than is customarily associated with more established companies. Stocks of such companies may be subject to more volatility in price than larger company securities.

Foreign Securities Risk - Foreign securities are subject to the same market risks as U.S. securities, such as general economic conditions and company and industry prospects. However, foreign securities involve the additional risk of loss due to political, economic, legal, regulatory, and operational uncertainties; differing accounting and financial reporting standards; limited availability of information; currency conversion; and pricing factors affecting investment in the securities of foreign businesses or governments.

Interest Rate Risk - Bonds also experience market risk as a result of changes in interest rates. The general rule is that if interest rates rise, bond prices will fall. The reverse is also true: if interest rates fall, bond prices will generally rise.

A bond with a longer maturity (or a bond fund with a longer average maturity) will typically fluctuate more in price than a shorter term bond. Because of their very short-term nature, money market instruments carry less interest rate risk.

Credit Risk - Bonds and bond mutual funds are also exposed to credit risk, which is the possibility that the issuer of a bond will default on its obligation to pay interest and/or principal. U.S. Treasury securities, which are backed by the full faith and credit of the U.S. Government, have limited credit risk, while securities issued or guaranteed by U.S. Government agencies or government-sponsored enterprises that are not backed by the full faith and credit of the U.S. Government may be subject to varying degrees of credit risk. Corporate bonds rated BBB or above by Standard & Poor's are generally considered to carry moderate credit risk. Corporate bonds rated lower than BBB are considered to have significant credit risk. Of course, bonds with lower credit ratings generally pay a higher level of income to investors.

Liquidity Risk - Liquidity risk exists when a particular security is difficult to trade. A mutual fund's investment in illiquid securities may reduce the returns of the mutual fund because the mutual fund may not be able to sell the assets at the time desired for an acceptable price, or might not be able to sell the assets at all.

Call Risk - Many fixed income securities have a provision allowing the issuer to repay the debt early, otherwise known as a "call feature." Issuers often exercise this right when interest rates are low. Accordingly, holders of such callable securities may not benefit fully from the increase in value that other fixed income securities experience when rates decline. Furthermore, after a callable security is repaid early, a mutual fund would reinvest the proceeds of the payoff at current interest rates, which would likely be lower than those paid on the security that was called.

Objective/Style Risk - All mutual funds are subject, in varying degrees, to objective/style risk, which is the possibility that returns from a specific type of security in which a mutual fund invests will trail the returns of the overall market.

U.S. Government Agency Securities Risk - Securities issued by U.S. Government agencies or government-sponsored entities may not be guaranteed by the U.S. Treasury. If a government-sponsored entity is unable to meet its obligations, the securities of the entity will be adversely impacted.

Potential Risks of Engaging in Short Selling and Option Writing

Short Selling - Short selling can incur significant risks. There is no ceiling on how much a short seller can lose in a trade. The share price may keep rising and the short seller will have to pay whatever the prevailing stock price is to buy back the shares. However, gains have a ceiling level because the stock price cannot fall below zero. A short seller has to undertake to pay the earnings on the borrowed securities as long as the short position remains open. If the issuer declares huge dividends or issues bonus shares, the short seller will have to pay that amount to the lender. Any such occurrence can skew the entire short investment and make it unprofitable. The broker can use the funds in the short seller's margin account to buy back the loaned shares or issue a 'call away' to get the short seller to return the borrowed securities. If the broker makes this call when the stock price is much higher than the price at the time of the short sale, then the investor can incur significant losses.

Option Writing - There are special risks associated with uncovered option writing, which exposes the investor to potentially unlimited loss. The writer of an uncovered call is in an extremely risky position, and may incur large losses if the value of the underlying instrument increases above the exercise price. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument. Uncovered option writing is thus suitable only for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered writer's options position, the broker may request significant additional margin payments. If an investor does not make such margin payments, the broker may liquidate stock of options positions in the investor's account with little or no prior notice in accordance with the investor's margin agreement.

Disciplinary Information

Holderness and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

Other Financial Industry Activities and Affiliations

Holderness and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

Holderness has adopted a written code of ethics that is applicable to all employees. Among other things, the code requires Holderness and its employees to act in clients' best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and pre-clear and report on many types of personal securities transactions. Holderness's restrictions on personal securities trading apply to employees, as well as employees' family members living in the same household. A copy of Holderness's code of ethics is available upon request by contacting Holderness at the phone number on the cover of this brochure.

Holderness does expect that, in the normal course of investment advising, certain securities would be bought or sold for the Company, as well as by employees, that will also be recommended for clients. The Company has implemented an internal policy to monitor personal trading of its employees to mitigate potential conflicts of interests. The policy includes such controls as required pre-clearance of trades, and quarterly reporting of securities transactions by employees. As a part of the personal trading policy employees are not allowed to knowingly trade a security on the same day as a client. All personal trades must be pre-cleared by Richard Holderness prior to execution.

Under certain circumstances an employee might invest in a security that is not considered suitable for client accounts because of size, liquidity, or other factors. A change in these factors could result in the security becoming more suitable for clients, but the Chief Executive Officer might not allow the security to be purchased for client accounts in order to avoid even the appearance of employees trading ahead of clients. In Holderness's experience, it is rare for an employee's personal trading to limit clients' investment opportunities, but such a situation may arise from time to time.

In the normal course of business, managers, members and/or associated persons of Holderness may provide gifts and gratuities to various clients and other persons. These gifts, gratuities and contributions are not premised upon any specific client referrals or any expectation of any other type of benefit to Holderness.

Brokerage Practices

Holderness generally recommends that clients arrange for their assets to be held with Charles Schwab & Co. (Schwab). Holderness has managed client assets held at Schwab for many years and has found Schwab to offer good services at competitive prices.

Soft Dollar Benefits

Holderness receives certain products and services from Schwab free of charge or at discounted rates. These products and services include:

- The receipt of duplicate client confirmations, statements, and other account information;
- Direct advisory fee debiting capabilities;
- Access to an electronic network for order entry, including the simultaneous entry of trades on behalf of multiple client accounts;
- A portfolio management system and software that supports Holderness's research processes.

Periodically Schwab will pay for a portion of Holderness employees' travel and accommodation costs in connection with industry conferences.

Holderness does not believe that clients whose accounts are held by Schwab bear any additional costs in connection with Holderness's receipt of the products and services. Furthermore, Schwab's provision of these products and services is not contingent upon Holderness formally committing any specific amount of business to Schwab. However, Holderness would not receive these products and services if client accounts were not held in custody and traded by Schwab. Holderness's receipt of these products and services creates a conflict of interest in connection with Holderness's recommendation of Schwab. Also, some of the products and services listed above benefit clients whose accounts are held by other custodians, which could create a conflict of interest between the clients at Schwab, who are indirectly paying for the products and services, and the clients at other custodians who may benefit from the products and services.

The Selection of Trading Counterparties

Holderness can typically trade accounts held at Schwab using other broker/dealers. However, Schwab charges clients trade-away fees that Holderness believes outweigh any benefits from trading stocks, mutual funds, or ETFs with other brokers. The availability and pricing of bonds varies more widely, so prior to placing a bond trade Holderness solicits bids from several dealers and then executes the trade with the dealer that offers sufficient liquidity and the most favorable pricing.

For clients who elect to have their accounts held by firms other than Schwab, Holderness's approach is generally to trade stocks, mutual funds, and ETFs with the chosen custodian, and to trade bonds with the dealer that offers sufficient liquidity and the most favorable pricing.

Some clients' accounts are relatively small, in which case the custodian may not allow Holderness to trade through other firms. Other clients may specifically request that their accounts only be traded through a particular broker/dealer. Holderness trades these accounts through the firm chosen by the client, which limits Holderness's ability to seek best execution. Trading restrictions may result in materially higher trading costs and reduced returns.

Best Execution Reviews

On at least an annual basis Holderness's Chief Compliance Officer and other senior executives evaluate the pricing and services offered by Schwab and other trading counterparties with those offered by other reputable firms. Holderness has sought to make a good-faith determination that Schwab and other chosen trading counterparties provide clients with good services at competitive prices. However, clients should be aware that this determination could have been influenced by Holderness's receipt of products and services from Schwab. Historically Holderness has concluded that Schwab is as good as, or better than, the other firms that have been considered. Holderness would notify its clients if it were to determine that another firm offered better pricing and services than Schwab.

Aggregated Trades

Transactions for each client account generally will be effected independently; however, it may be advantageous to buy or sell a large quantity of securities. Therefore, Holderness may combine or batch such orders to obtain best execution, to negotiate more favorable commission rates or other transaction costs than 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 daily in proportion to the purchase and sale orders placed for each client account. When client accounts are grouped together for

block trades an order report representing the block order will be maintained as well as individual account trade log entries for all accounts included in the block trade.

Securities purchased or sold in a batched transaction are allocated pro-rata, when possible, to the participating client accounts in proportion to the size of the order placed for each account. Holderness may, however, increase or decrease the amount of securities allocated to each account if necessary to avoid holding odd-lot or small numbers of shares for particular clients. Additionally, if Holderness is unable to fully execute a batched transaction and determines that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro-rata basis, Holderness may allocate such securities in a manner determined in good faith to be a fair allocation.

If a client requests that their account be placed with a broker-dealer which does not also custody other accounts for Holderness, that client's account will be unable to participate in block trading and therefore will not receive the benefits of such trading.

In certain instances Holderness may execute over the counter securities transactions on an agency basis, which may result in advisory clients incurring two transaction costs for a single trade: a commission paid to the executing broker-dealer plus the market makers mark-up or mark-down.

Client Referrals

Holderness does not compensate Schwab or any other custodian or broker/dealer for referring client accounts.

Review of Accounts

Accounts under Holderness's management are monitored on an ongoing basis by the Investment Committee members. The Investment Committee members review each account in detail on at least an annual basis, as well as in connection with each client meeting. The Investment Committee members and the Chief Compliance Officer review a number of reports that are designed to identify accounts that are outside the expected ranges for returns, exposure to asset classes, and exposure to industry sectors. Reviews of client accounts will also be triggered if a client changes his or her investment objectives, or if the market, political, or economic environment changes materially.

Clients receive account statements directly from their chosen custodian on at least a quarterly basis. Holderness may supplement these custodial statements with reports provided during client meetings or as requested.

Client Referrals and Other Compensation

Holderness pays a portion of its advisory fees to another investment adviser in connection with that adviser's referral of a client to Holderness. Holderness Investments Company has a referral agreement in place with Mr. William B. Carr of Piedmont Investment Counsel, Inc. for the purpose of Mr. Carr introducing potential clients to Holderness Investments Company.

With respect to the agreement with Mr. Carr and Piedmont Investment Counsel, Inc., Piedmont Investment Counsel is a Registered Investment Adviser with the State of North Carolina and in such capacity will refer potential clients to Holderness Investments Company for asset management. Clients referred to Holderness Investments Company for asset management services will become a client of Holderness Investments Company and will pay management fees to Holderness Investments according to the standard management fee schedule mentioned above. Piedmont Investment Counsel,

Inc. will be paid 30% of such fees collected by Holderness Investments as a referral fee for all clients referred. Since the maximum fee charged to a client by Holderness Investments Company would be 1% annually, no client will pay more to be referred to Holderness Investments by Mr. Carr. All fees will be fully disclosed to all clients prior to entering into an agreement. All clients referred by Piedmont Investment Counsel, Inc. will sign a disclosure statement acknowledging all the terms of any arrangement entered into.

Other than the previously described products and services that Holderness receives from Schwab, Holderness does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

Custody

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but Holderness can access many clients' accounts through its ability to debit advisory fees. For this reason Holderness is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by Holderness.

Investment Discretion

Holderness has investment discretion over the vast majority of clients' accounts. Clients grant Holderness trading discretion through Holderness's Investment Management Agreement as well as an execution of a limited power of attorney included in the Schwab brokerage account application forms.

Clients can place reasonable restrictions on Holderness's investment discretion. For example, some clients have asked Holderness not to buy securities issued by companies in certain industries, or not to sell certain securities in which the client has a particularly low tax basis.

If a client desires for Holderness to manage a non-discretionary account for them they will sign an alternate Non-Discretionary Investment Management Agreement detailing the limitations associated with a non-discretionary arrangement.

Voting Client Securities

In accordance with its fiduciary duty to clients and Rule 206(4)-6 under the Investment Advisers Act, Holderness has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that Holderness receives will be treated in accordance with these policies and procedures.

Holderness considers the reputation, experience, and competence of a company's management and board of directors when it evaluates a prospective investment. In general, Holderness votes in favor of routine corporate matters, such as the re-approval of an auditor or a change of a legal entity's name. Holderness also generally votes in favor of compensation practices and other measures that are in-line with industry norms, that allow companies to attract and retain key employees and directors, that reward long-term performance, and that align the interests of management and shareholders. Holderness supplements its evaluation of client proxies with guidance from an independent corporate governance consulting firm.

Holderness has not identified any material conflicts of interest in connection with past proxy votes. Such a conflict could arise if, for example, a client was a senior executive with a publicly traded company and other clients held securities issued by that company. Holderness realizes that due to the difficulty of predicting and identifying all material conflicts, it must rely on its employees to notify the Chief Executive Officer and/or Chief Compliance Officer of any material conflict that may impair Holderness's ability to vote proxies in an objective

manner. Upon such notification, the Chief Executive Officer will notify its legal counsel of the conflict who will recommend an appropriate course of action.

A copy of Holderness's proxy voting policies and procedures, as well as specific information about how Holderness has voted in the past, is available upon written request. Upon written request, clients can also take responsibility for voting their own proxies, or can give Holderness instructions about how to vote their respective shares.

Financial Information

Holderness has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.