

## **Investment Advisor Brochure Part 2A**

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**This brochure provides information about the qualifications and business practices of Rockbridge Investment Management, LLC. If you have any questions about the contents of this brochure, please contact us at (315) 671-0588.**

**The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.**

**Additional information about Rockbridge Investment Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**February 11, 2011**

## **Item 2 – Material Changes**

There were no material changes to the brochure since the last annual update. This is the first version of the brochure in this format.

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## **Item 4 – Advisory Business**

Rockbridge Investment Management, LLC (“the Advisor”) has been in business since 1997. The principal owners are Craig Buckhout and Anthony Farella.

### **Assets Under Management**

As of December 31, 2010 the Advisor manages \$232,433,500 in client assets broken down as follows:

Discretionary \$232,433,500

Non-Discretionary \$0

### **Investment Management Services**

The Advisor provides investment management services to its clients on a discretionary basis. When the Advisor manages client assets on a discretionary basis, the Advisor executes securities transactions for clients without having to obtain specific client consent prior to each transaction. Discretionary authority is limited to investments within clients’ managed accounts.

The Advisor provides investment management services that include among other things, advice regarding asset allocation and the selection of investments as well as portfolio design, asset allocation, investment plan implementation and ongoing investment monitoring. The Advisor relies on the stated objectives of the client and considers the client’s risk profile and financial status prior to making any recommendations.

Investment supervisory services consist of constructing a portfolio for each client to achieve established risk objectives. The portfolio may include various funds, primarily passively managed, that would have the greatest probability of achieving the returns allowed by global capital markets at the lowest cost. The portfolio would be rebalanced on a regular basis to reflect previously established commitments to each market/asset class.

The Advisor also provides investment supervisory services for 401(k) or other qualified retirement plans that consist of constructing a portfolio to achieve established risk objectives. The portfolio would include various funds, primarily passively managed, that would have the greatest probability of achieving the returns allowed by global capital markets at the lowest cost. The portfolio would be rebalanced on a regular basis to reflect previously established commitments to each market/asset class.

For certain clients associated with the agricultural industry, the applicant provides investment supervisory services under the d/b/a Agri-Invest, LLC, which is a separate business name of the Advisor. The services offered to Agri-Invest and Rockbridge clients are essentially the same.

## **Financial Planning and Consulting Services**

For certain clients the Advisor may provide financial planning and consulting services under a separate hourly fee arrangement that are consistent with the client's financial and tax status, in addition to risk profile and return objectives.

The Advisor may also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

The Advisor starts the comprehensive financial planning process by taking a financial inventory. This generally involves gathering enough data to perform an analysis of client liabilities, cash flow and net worth analysis, and tax assessments. The Advisor's next step typically involves assisting clients with formalizing their goals and plotting their investment timelines.

## **Financial Planning Conflicts of Interest**

When both investment management and financial planning services are offered, there is a potential conflict of interest since there is an incentive for the Advisor offering financial planning services to recommend services for which the Advisor, or a related party, may receive compensation. However, financial planning clients are under no obligation to act upon any recommendations of the Advisor or to affect any transactions through the Advisor if they decide to follow the recommendations.

## **Item 5 – Fees and Compensation**

### **Investment Management Fees**

#### **Annualized Fees**

Assets	Per Year
Up to \$100,000	1.00%
Next \$400,000	0.75%
Next \$500,000	0.50%
Next \$4,000,000	0.40%
Next \$5,000,000	0.30%
Over \$10,000,000	0.20%

The Advisor may waive the 1.00% fee on the first \$100,000 for clients with larger amounts of assets. For accounts with balances under \$100,000, the Advisor may impose an additional fixed fee of \$25.

### **Fees for Investment Supervisory Services for 401(k) or other Qualified Retirement Plans**

Assets	Per Year
Up to \$1,000,000	0.50%
Next \$4,000,000	0.40%
Next \$5,000,000	0.30%
Over \$10,000,000	0.20%

The Advisor also furnishes investment advice and education through consultations with participants in various 401(k) plans. The charge for these services is generally a fixed fee negotiated with the plan sponsor. The education and investment advice is focused on helping participants determine if they are saving enough to meet their retirement investment goals and helping them understand the allocation of their 401(k) investments among available options.

The account custodian may charge fees, which are in addition to and separate from advisory fees. Custodians may charge accounts for transaction, retirement plan and administration fees. Mutual funds have annual expenses and may assess other fees, which are described in each fund's prospectus. Advisory clients should note that fees for comparable services vary and lower or higher fees for comparable services may be available from other sources.

The Advisor is typically compensated for investment management services based on the amount of client assets under management or a fixed negotiated fee. Fees are paid quarterly in arrears and are due on the first day of the calendar quarter, based on the account's asset value as of the last business day of the prior calendar quarter. Fees are prorated for accounts opened during the quarter. The Advisor primarily deducts fees directly from client accounts. Clients may request to be invoiced and pay fees from sources other than assets under management.

All clients have the option to terminate any or all services at any time without penalty.

### **Financial Planning and Consulting Fees**

The Advisor charges an hourly fee for financial planning and consulting services. Fees are based on the complexity of the required financial plan and the range of services provided. Clients who select planning or consulting services are billed at the rate of \$175 per hour.

If a client requests a written financial plan, the Advisor typically completes and delivers a written financial plan within six months or less.

Hourly fees are due and payable upon completion of the plan or services.

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

The Advisor does not charge or receive, directly or indirectly, any performance-based fees.

## **Item 7 – Types of Clients**

The Advisor provides advisory services to:

- Individuals
- High net worth individuals – Someone who individually or jointly with their spouse has more than \$750,000 managed by the Advisor or a net worth of \$1,500,000 excluding the value of their primary residence.
- Nonprofit organizations that may include charitable organizations, social welfare organizations, agricultural/horticultural organizations, labor organizations, business leagues or trade associations and entities that operate for purposes that are religious, artistic, literary, charitable, scientific, educational or in the interest of public safety.
- Business entities including corporations
- Pension and profit sharing plans and participants

### **Account Minimums**

The Advisor does not impose a minimum account requirement on clients.

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

The Advisor has discretion to select the types of securities purchased and sold, and to employ various securities trading and investment techniques.

The Advisor may recommend one or a combination of assets and investment strategies as follows:

### **Mutual and Exchange Traded Funds**

The Advisor primarily recommends index and passively managed mutual and Exchange Traded Funds ("ETFs") when designing client portfolios. The Advisor selects funds and ETFs based on how closely the funds' characteristics reflect the asset class they represent, diversification and cost.

The primary method of analysis consists of reviewing past results compared to what was available in domestic and international capital markets as represented in published indices.

The Advisor's primary investment strategy consists of allocating funds among several diversified financial asset portfolios designed to replicate specific markets/asset classes at lowest overall cost to meet specific, well-understood risk objectives. Important to this strategy is the periodic measurement of results to ensure these objectives are being achieved.

The primary source of information consists of published data on returns from various indices that represent various domestic and international capital markets. Other sources of information include specific results of active investment managers and data from public and proprietary databases.

Clients are advised that investing in securities involves the risk of loss of the entire principal amount invested including any gains. Clients should not invest unless they are able to bear these losses. Any investment strategies may lead to a loss on investments, especially if the markets move against the client. Even hedging strategies may fail if the markets move against both hedged investments simultaneously. In addition, investing carries with it the risk of missing out on more favorable returns that could be achieved by investing in alternate securities or commodities.

#### **Item 8.A – Frequent Trading of Securities**

The Advisor is not involved in the frequent trading of securities.

#### **Item 8.B – Material Risks of Particular Securities**

The Advisor invests primarily in mutual funds and Exchange Traded Funds that are well diversified and own assets that are traded in well-functioning capital markets. Assets held within a particular mutual fund may include any of the following securities that have significant risk of price volatility:

**Small and Micro-cap equity securities** (shares in companies that have a market capitalization of less than \$500 million) – Small and micro-cap stocks are stocks in companies that tend to have smaller market capitalization. Share prices can be extremely volatile and are prone to great fluctuations. This is primarily because of their smaller capitalization which can allow stock prices to be more easily influenced by a small number of large trades. This potential volatility presents a material risk for investors who could quickly lose a large part of their investments during a brief market downturn.

**Municipal securities** – Municipal securities are backed by either the full faith and credit of the issuer or by revenue generated by a specific project (like a toll road or parking garage) for which the securities were issued.



The latter type of securities could quickly lose value or even become virtually worthless if the expected project revenue does not meet expectations.

**High-Yield Corporate Debt Securities** – High-Yield Corporate Debt Securities are bonds that are typically issued by corporations that have lower credit ratings. Because of these lower ratings, corporate issuers must offer higher rates of return to attract investors. The issuing corporations may not be as financially solvent as other issuers with higher credit ratings so bondholders assume a greater risk that an issuer may default on its repayment obligations causing investors to lose some or all of their investments. In addition, if the issuer suffers financial setbacks the bonds may suffer dramatic losses in value in the secondary markets causing investors to be unable to sell the bonds without sustaining substantial financial losses.

**Real Estate Investment Trusts ("REITs")** - A REIT is a tax designation for a corporation investing in real estate that reduces or eliminates corporate income taxes and is required to distribute 90% of their income to investors. As a result of the special tax considerations, REITs typically offer investors high yields. Individuals can invest by purchasing shares directly on an open exchange or by investing in a mutual fund that specializes in public real estate; so REITs can be highly liquid.

REIT investing is not without risk. Real estate construction projects have a long timeline which can result in overbuilding of types of properties owned by REITs. Higher interest rates may increase borrowing costs for construction, financing of the purchase of REIT owned properties and operating costs for existing REIT owned business properties. Any of these events may cause a substantial decline in the value of REIT investments.

Clients should consult the Advisor if they have questions concerning the basic characteristics of these or other investment products or about the risks and potential rewards of investing.

## **Item 9 – Disciplinary Information**

The Advisor does not have any disciplinary information to disclose.

### **Item 9.A – Criminal or Civil Actions**

Neither the Advisor nor any management person has been found guilty of or has any criminal or civil actions pending in a domestic, foreign or military court.

### **Item 9.B – Administrative Proceedings**

Neither the Advisor nor any management person has any administrative proceedings pending before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.

### **Item 9.C – Self-Regulatory Organization (“SRO”) Proceedings**

Neither the Advisor nor any management person has been found by any SRO to have caused an investment-related business to lose its authorization to do business, or to have been involved in a violation of the SRO’s rules, or was barred or suspended from membership or from association with other members, or was expelled from membership, otherwise significantly limited from investment-related activities, or fined more than \$2,500.

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

### **Item 10.A – Broker-Dealer Registration**

#### **Broker-Dealer**

Neither the Advisor nor its management persons is or owns a securities broker-dealer registered with the Securities and Exchange Commission (“SEC”), a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protector Corporation (“SIPC”) or has an application for registration pending. No associated person of the Advisor is a registered representative of a broker-dealer.

### **Item 10.B – Futures Commission Merchant/Commodities**

#### **Commodity Broker**

Neither the Advisor nor any of its management persons is a commodity broker/futures commission merchant, a commodity pool operator, commodity trading advisor or an associated person for the foregoing entities or has an application for registration pending.

### **Item 10.C – Relationships with Related Persons**

Neither the Advisor nor any of its management persons have any material relationships with related persons that create a material conflict of interest with clients.

#### **Pension Consultant**

The Advisor acts as a consultant to public and private entities concerning their pension and profit sharing plans and may offer educational advice to participants.

### **Item 10.D – Relationships with Other Advisors**

Neither the Advisor nor any of its management persons have any other material relationships or conflicts of interest with any related financial industry participants other than those discussed above.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Item 11.A – Code of Ethics**

The Advisor has adopted a Code of Ethics that sets forth standards of conduct expected of advisory personnel and to address conflicts that arise from personal trading by advisory personnel. Advisory personnel are obligated to adhere to the Code of Ethics, and applicable securities and other laws.

The Code covers a range of topics that may include: general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code, review and enforcement processes, amendments to Form ADV and supervisory procedures. The Advisor will provide a copy of the Code to any client or prospective client upon request.

### **Item 11.B – Participation or Interest in Client Transactions**

#### **Principal Trading**

Neither the Advisor nor any affiliated broker-dealer affects securities transactions as principal with the Advisor's clients.

#### **Personal Trading of Associates Affiliated with a Brokerage Firm**

No associate of the Advisor is affiliated with a brokerage firm.

#### **Agency-Cross Transactions**

Neither the Advisor nor any associated person recommends to clients, or buys or sells for client accounts, securities in which Advisor or an associated person has a material financial interest. Neither the Advisor nor any associated person acting as a principal, buys securities from (or sells securities to) clients; acts as general partner in a partnership in which Advisor solicits client investments; or acts as an investment advisor to an investment company that Advisor recommends to clients.

### **Item 11.C – Personal Trading by Associated Persons**

Associated persons of the Advisor may buy or sell for their own accounts the same securities that are purchased or sold in the accounts of advisory clients. These securities include no-load mutual funds designed to provide cost-effective diversification within particular markets or asset classes. All mutual fund transactions are at Net Asset Value (NAV) and are under the same terms and conditions that are available for client transactions. Any transaction in securities other than mutual funds will consist of securities traded in well-functioning, liquid markets, and only at the same terms and conditions that are available to clients.

Associated persons seek to ensure that they do not personally benefit from the short-term market effects of their recommendations to clients and the Advisor regularly monitors their personal transactions. Associated persons are aware of the rules regarding material non-public information and insider trading. Associated persons may also buy or sell specific securities for their accounts based on personal investment considerations that the Advisor does not deem appropriate for clients.

#### **Item 11.D – Conflicts of Interest with Personal Trading by Associated Persons**

See Item 11.C above.

### **Item 12 – Brokerage Practices**

#### **Item 12.A – Factors in Selecting or Recommending Broker-Dealers**

The Advisor makes custodial recommendations that are based on the Advisor's perception of the breadth of services offered, and quality of execution. However, the client may pay commissions or fees that are higher or lower than those that may be obtained from elsewhere for similar services.

The Advisor recommends that clients establish accounts with the institutional division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to affect trades for their accounts.

Although the Advisor may recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. The Advisor is independently owned and operated and not affiliated with Schwab. Schwab provides the Advisor with access to its institutional trading and custody services, which are typically not available to Schwab retail investors.

These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the Advisor's clients' assets are maintained in accounts at Schwab Institutional, and are not otherwise contingent upon the Advisor committing to Schwab any specific amount of business (assets in custody or trading). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum investment.

For the Advisor client accounts maintained in its custody, Schwab does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts. The majority of trades are in Charles Schwab NTF Funds, for which there are no transaction costs. Those funds that are not Schwab funds, (except Vanguard and DFA funds), are One-Source funds for which there are no transaction costs, but include increased fund expenses. The Advisor's trading is generally web-based batch trading which results in lower commissions and access to less expensive fund share classes. The Advisor participates in no soft-dollar trading activity.

Stock trading is limited. Fixed Income Investments in most cases do not incur transaction fees and are generally limited to Treasury Bills, Notes, and Bonds.

Schwab also makes available to the Advisor other products and services that benefit the Advisor but may not directly benefit its clients' accounts. Many of these products and services may be used to assist in managing and administering clients' accounts, including software and other technology which provides access to client account data, facilitates trade execution, provides research, pricing information and other market data, facilitates payment of fees from clients' accounts, and assists with back-office functions. These are used to service all of the Advisor's accounts, including those not maintained at Schwab Institutional.

For certain retirement plan clients, the Advisor recommends establishing custodial accounts with TD Ameritrade Trust Company. TD Ameritrade Trust Company ("TDATC") is a wholly-owned subsidiary of TD Ameritrade Holding Company, which is itself a public-traded and audited firm with headquarters in Omaha, Nebraska.

TDATC is a state-chartered, non-depository trust company regulated by the Maine Division of Banking. TDATC provides custodial and directed trustee services exclusively for corporate and non-profit retirement accounts. Trading is affected at the plan level from trade instructions transmitted by the plans' recordkeepers. TDATC also facilitates disbursements from the plan and provides any 1099R tax reporting related to those disbursements.

TDATC is not a member of FINRA/SIPC. TDATC does not provide investment advice or provide any other advisory services. TDATC and its parent company maintain effective internal controls through their formal Internal Control Assessment Program. Additionally TDATC undergoes SAS 70 Level II certification each year.

For certain clients, the Advisor has established relationships with other broker-dealers so securities may be purchased through them and then delivered to the clients' custodial accounts. This relationship provides information that helps ensure best execution on the clients' behalf.

Clients are advised that they are under no obligation to act on the recommendations of the Advisor.

### **Brokerage Recommendations by Persons Associated with Other BD/IAs**

The Advisor does not select broker-dealers for client transactions. The Advisor may recommend broker-dealers but clients are free to accept or reject such recommendations.

**Item 12.A1 – Research and Other Soft Dollar Benefits**

The term "soft dollars" refers to funds which are generated by client trades being used to pay for products and services such as to research and enhanced brokerage services that the Advisor receives from or through the broker-dealers whom it engages to perform securities transactions. The Advisor does not receive soft dollars generated by securities transactions of its clients.

**Item 12.A2 – Brokerage for Client Referrals**

The Advisor does not refer clients to particular broker-dealers in exchange for client referrals from those broker-dealers.

**Item 12.A3 – Directed Brokerage**

The Advisor does not require that clients direct their brokerage business to any particular broker-dealer.

**Item 12.B – Trade Aggregation**

The Advisor does not aggregate the purchase or sale of securities for various client accounts.

**Item 13 – Review of Accounts**

Advisor personnel review client accounts no less than quarterly. Accounts may be rebalanced to reflect previously established long-term commitments to various asset classes. Reviews may be triggered by changes in an account holder's personal or financial status.

Approximately 1,018 accounts are reviewed by Craig Buckhout (Manager), Anthony Farella (Manager), Patrick Rohe, Daniel Edinger or Richard Schlote (Financial Advisors). Values are reported to clients quarterly. The reports include asset allocation, market values and performance. Additionally, reports include a summary of market conditions and a newsletter covering broad investment topics of interest to individuals.

Brokerage statements are generated no less than quarterly and the account custodian sends copies directly to clients. These reports list the account positions, activity in the account over the covered period and other related information. The custodian also sends confirmations following each brokerage account transaction unless confirmations have been waived.

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

The Advisor does not have an arrangement under which it or its related persons compensate others for client referrals.

The Advisor doesn't receive any economic benefit from a person who is not a client for providing advisory services to clients. This includes sales awards or prizes.

### **Item 15 – Custody**

The Advisor doesn't accept custody of client funds or securities. Client assets are held by qualified custodians.

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

The Advisor will have discretion over the selection and amount of securities to be bought or sold without obtaining specific client consent. The Advisor will not have discretion over the selection of the broker to be used or the commission rates to be paid.

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

The Advisor does not accept authority to vote proxies on behalf of clients as a matter of policy. Clients will receive their proxy information directly from their custodian or a transfer agent.

Clients may contact the Advisor with questions about a particular solicitation by telephone at (315) 671-0588 or e-mail at [info@rockbridgeinvest.com](mailto:info@rockbridgeinvest.com)

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

The Advisor doesn't require prepayment of advisory fees so no audited balance sheet is being provided.